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No.

Supreme Court, U.S.  
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**In The Supreme Court of the United States**  
**October Term, 1991**

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**YAMAHA CORPORATION OF AMERICA, AND**  
**YAMAHA ELECTRONICS CORPORATION, U.S.A.,**  
*Petitioners*

**ABC INTERNATIONAL TRADERS, INC.**  
**FARHAD LARIAN, AND ISAAC LARIAN,**  
*Respondents*

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**Petition For Writ Of Certiorari To The**  
**United States Court Of Appeals For The Ninth Circuit**

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**PETITION FOR WRIT OF CERTIORARI**

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## QUESTIONS PRESENTED FOR REVIEW

1. Whether the Friendship Treaty between the United States and Japan and the Paris Convention are violated when a wholly-owned United States subsidiary of a Japanese corporation is denied its rights under the Trademark and Tariff Acts solely because its parent is Japanese.
2. Whether Customs Regulation 133.21(c)(2), 19 C.F.R. § 133.21(c)(2), precludes a private cause of action by a wholly-owned United States subsidiary of a Japanese corporation under §§ 32 and 42 of the Trademark Act, and §526 of the Tariff Act.

**PARTIES TO THE PROCEEDING**

Yamaha Corporation of America (YCA) is a wholly-owned subsidiary of Yamaha Corporation, a Japanese corporation (Yamaha Japan). Yamaha Electronics Corporation, USA (YEC) is a wholly-owned subsidiary of YCA. Neither YCA nor YEC have any subsidiaries which are not wholly-owned.



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## REFERENCE TO OFFICIAL AND UNOFFICIAL REPORTS

The decision of the Court of Appeals for the Ninth Circuit which is the subject of this Petition is unpublished.<sup>1</sup> The District Court's grant of summary judgment against Yamaha's federal trademark infringement and unfair competition claims is also unpublished.<sup>2</sup> The District Court's grant of summary judgment against Yamaha's claims under §526 of the Tariff Act, §42 of the Trademark Act, and California unfair competition law is reported officially at 703 F. Supp. 1398 and unofficially at 10 U.S.P.Q.2d 1134.<sup>3</sup>

## STATEMENT OF JURISDICTION

The Ninth Circuit's unpublished Memorandum Opinion was entered on July 30, 1991. The Ninth Circuit denied Yamaha's Petition for Rehearing and suggestion for rehearing *en banc* in an Order entered September 20, 1991.<sup>4</sup> Title 28 U.S.C. §1254(1) provides the statutory basis for this Court's jurisdiction to review the Ninth Circuit's judgment.

## TREATIES, STATUTES AND REGULATION INVOLVED

This case involves the Treaty of Friendship, Commerce and Navigation, 4 U.S.T. 2063, T.I.A.S. 2863 (1953) (Friendship Treaty) between the United States and Japan, and the Paris Convention for the Protection of Industrial Property, 21 U.S.T. 1628, T.I.A.S. 6293 (1967) (Paris Convention).<sup>5</sup> These Treaties are set forth in full in the Appendix. The most relevant portions of the Friendship Treaty and Paris Convention are set forth below. Article X of the Friendship Treaty provides:

Nationals and companies of either Party shall be accorded, within the territories of the other Party, national treatment

1. A copy of the Ninth Circuit's decision is at page 1a of the Appendix.

2. A copy of the District Court's Minute Order and ABC's Findings of Fact are at pages 6a-9a of the Appendix.

3. A copy of the District Court's Opinion is at page 11a of the Appendix.

4. A copy of the denial of rehearing is at page 21a of the Appendix.

5. Japan and the United States are both signatories to the Paris Convention.

and most-favored-nation treatment with respect to obtaining and maintaining patents of invention, and with respect to rights in trade marks, trade names, trade labels and industrial property of every kind.

Article XXII(3) of the Friendship Treaty states in relevant part:

Companies constituted under the applicable laws and regulations within the territories of either Party shall be deemed companies thereof and shall have their juridical status recognized within the territories of the other Party.

Article 2(1) of the Paris Convention provides:

Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specifically provided for by this Convention. Consequently, they shall have the same legal protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

This case also involves §526 of the Tariff Act of 1930, 19 U.S.C. §1526, §§32 and 42 of the Trademark Act, 15 U.S.C. §§1114 and 1124, and Customs Regulation 133.21(c)(2), 19 C.F.R. §133.21(c)(2). These statutes and the Regulation are set forth in full in the Appendix.

## STATEMENT OF THE CASE

### Relevant Facts

Yamaha Corporation of America (YCA) is a United States company organized under the laws of the State of California. YCA is a viable U.S. corporation which has actively done business here for more than thirty years. Yamaha Electronics Corporation, USA (YEC) is also a California corporation, and is a wholly-owned subsidiary of YCA.<sup>6</sup> Over this time, Yamaha has paid millions of dollars in federal and state taxes, and has employed hundreds of U.S. citizens.

YCA is a wholly-owned subsidiary of Yamaha Corporation, a Japanese company (Yamaha Japan). YCA imports and distributes audio and musical equipment bearing the "Yamaha" marks in the United States, and is by written contract the exclusive authorized United States distributor of "Yamaha" brand products manufactured by Yamaha Japan. YEC distributes audio electronic equipment bearing the "Yamaha" marks. YCA is the owner by assignment from Yamaha Japan of United States trademark registrations for the following trademarks in suit (the "Yamaha" marks): "Yamaha" Registration No. 893,186; "Tuning Fork Design" Registration No. 1,013,806; and "Portasound" Registration No. 1,205,408. YCA has recorded the "Yamaha" trademarks with the United States Customs Service (Customs) pursuant to 15 U.S.C. § 1124 and 19 U.S.C. § 1526, and received Recordations Nos. 87-464, 87-466, and 87-462 for them, respectively.

To facilitate distribution of "Yamaha" products nationwide, Yamaha has established a network of authorized dealers. Through the years, Yamaha has invested vast amounts of time, money, and effort in establishing and maintaining its dealer network. Yamaha chooses its authorized dealers with care to ensure that such dealers will uphold the Yamaha tradition of quality products and service. Yamaha warrants all authorized "Yamaha" products, and enjoys immense goodwill amongst its dealers and the purchasing public.

6. YCA and YEC will be collectively referred to as "Yamaha" where appropriate.

Respondent, ABC INTERNATIONAL TRADERS, INC. (ABC) is an unauthorized importer and distributor of "Yamaha" brand products. Respondents, ISAAC LARIAN and FARHAD LARIAN are co-owners of ABC.<sup>7</sup> The "Yamaha" products imported and sold by ABC in the United States are believed to be diverted from Yamaha Japan's foreign distribution stream without Yamaha's knowledge or consent, and are commonly referred to as "gray market" products. Gray market products are foreign-made goods intended for distribution outside the U.S. which bear a well-known trademark. Through diversion, they are imported into the U.S. without the consent of the U.S. trademark owner. In many instances, gray market "Yamaha" products are physically different from authorized "Yamaha" products.

When economic and market conditions are favorable, ABC obtains "Yamaha" brand products from third parties, removes the serial numbers, and imports such products into the United States without the consent of YCA, the U.S. trademark owner. ABC distributes the "Yamaha" brand products to anyone who can pay for them, mainly unauthorized retail dealers who sell them to unwitting consumers. The gray market "Yamaha" products sold by ABC and its dealers are not intended or designed for sale in the U.S., and are not warranted by Yamaha. ABC's sale of gray market "Yamaha" products in competition with Yamaha and its authorized dealers has a detrimental effect on both Yamaha's sales of its products and on its authorized dealers. Consumers purchasing gray market "Yamaha" products often do not realize that the goods they purchased were not designed or intended for sale in the U.S.

### Summary of Proceedings

On December 4, 1986, Yamaha filed an action seeking an injunction and damages against ABC, based on ABC's gray marketing activities, for trademark infringement and unfair competition under §§ 32 and 43 of the Trademark Act, and for unfair competition under the laws of California. Jurisdiction over the

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7. Respondents will be collectively referred to as "ABC", except where inappropriate.



instant action was conferred on the District Court by 15 U.S.C. §1121, and 28 U.S.C. §§1331 and 1338. ABC answered and filed antitrust and other counterclaims against Yamaha and its parent, Yamaha Japan. After recording its trademarks with Customs, Yamaha amended its complaint to include claims under §526 of the Tariff Act and §42 of the Trademark Act.

The District Court granted summary judgment against Yamaha's federal trademark infringement and unfair competition claims. In so doing, the District Court followed the Ninth Circuit's decision in *NEC Electronics v. CAL Circuit ABCO*, 810 F.2d 1506 (9th Cir.), *cert. denied*, 484 U.S. 851 (1987), handed down after this action was filed. Following the *NEC* rationale, the District Court concluded that the parent-subsidiary relationship between YCA and Yamaha Japan, the manufacturer of the goods, precluded any likelihood of consumer confusion between gray market and authorized "Yamaha" brand products.

The District Court later granted summary judgment against Yamaha's Tariff Act, §42 of the Trademark Act, and state unfair competition claims in an Order dated December 23, 1988. The District Court relied on the Customs Regulation and this Court's decision in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988) to deny Yamaha's claims under §42 of the Trademark Act and §526 of the Tariff Act.<sup>8</sup> After denial of a motion for reconsideration, Yamaha appealed the grants of summary judgment to the Ninth Circuit Court of Appeals.

The Ninth Circuit, in an unpublished decision, affirmed the District Court's grants of summary judgment. Jurisdiction was conferred on the Ninth Circuit by 28 U.S.C. §1291. The court found its prior decision in *NEC* controlling on Yamaha's federal trademark infringement and unfair competition claims. The court reasoned that because of the parent-subsidiary relationship between YCA and Yamaha Japan, trademark law afforded "no protection for a wholly owned United States subsidiary of a foreign manufacturer against a rival company that imports and sells goods made by the foreign parent company."

8. The District Court, in a later Order, also dismissed ABC's antitrust and other counterclaims under Fed. R. Civ. P. 12(b)(6) for failure to state claims.

The Ninth Circuit also affirmed the District Court's grant of summary judgment on Yamaha's claims under 526 of the Tariff Act and §42 of the Trademark Act. The Ninth Circuit found Customs Regulation 133.21(c)(2) dispositive, stating that it left "no room for Yamaha's Tariff Act claim."<sup>9</sup>

Yamaha filed a timely Petition for Rehearing with a suggestion for consideration *en banc* to review *NEC* in light of the conflict with the relevant Treaties, which the Ninth Circuit's decision failed to address. The Ninth Circuit denied Yamaha's request for rehearing in its entirety. This Petition followed.

### REASONS FOR ALLOWANCE OF THE WRIT

The Ninth Circuit's decision discriminatorily denies YCA rights expressly granted to it under the Trademark and Tariff Acts solely on the ground that it is owned by a Japanese company. The court's judgment directly conflicts with the Friendship Treaty and this Court's decision in *Sumitomo Shoji America, Inc. v. Avagliano*, 457 U.S. 176 (1981), which require that YCA be accorded the same rights as all other U.S. companies. The court's judgment also violates the Paris Convention's proviso of "national treatment" for nationals of member nations with respect to trademark rights. Lastly, the Ninth Circuit's judgment conflicts with this Court's decisions in *Morrill v. Jones*, 106 U.S. 466 (1883), and *A. Bourjois & Co., Inc. v. Katzel*, 260 U.S. 689 (1923), and decisions of the Second, D.C. and Federal Circuit Courts of Appeals with respect to the issues presented.

The application of the Friendship Treaty and the Paris Convention to the Trademark and Tariff Acts was not addressed by this Court in the splintered decision in *K Mart*. *K Mart* did not reach the issue of U.S. treaty obligations with respect to Tariff Act rights, and explicitly did not reach any issues under the Trademark Act. *K Mart* also did not determine the scope of protection available to a U.S. trademark owner under §526 of the Tariff Act, or whether the Regulation prevents a foreign-owned U.S. subsidiary from availing itself of §526(c). *K Mart*

9. The Ninth Circuit also reinstated ABC's antitrust and other counterclaims.

only determined that Customs may, for its enforcement purposes, decline to exclude gray market products because the trademark thereon may be reasonably interpreted to be "owned by" the parent foreign manufacturer.<sup>10</sup> This case provides the Court with the opportunity to review issues not addressed in *K Mart*, and to conclusively straighten out the gray marketing morass that has precipitated a host of litigation with divergent and inconsistent decisions.

# **I. THE NINTH CIRCUIT'S DENIAL OF YAMAHA'S TRADEMARK AND TARIFF ACT RIGHTS CONFLICTS WITH THIS COURT'S DECISION IN *SUMITOMO* AND WITH THE FRIENDSHIP TREATY**

The Ninth Circuit's denial of Yamaha's Trademark and Tariff Act rights based solely on its foreign ownership conflicts with this Court's decision in *Sumitomo* and the Friendship Treaty. In *Sumitomo*, this Court construed the Friendship Treaty and similar treaties to hold that:

The Treaties accomplished their purpose by granting foreign corporations "national treatment" in most respects and *by allowing foreign individuals and companies to form locally incorporated subsidiaries. These local subsidiaries are considered for the purposes of the Treaty to be companies of the country in which they are incorporated; they are entitled to the rights, and subject to the responsibilities of other domestic corporations.* By treating these subsidiaries as domestic companies, the purpose of the Treaty provisions—to assure that corporations of one Treaty Party have the right to conduct business within the territory of the other Party without suffering discrimination as an alien entity—is fully met. 457 U.S. at 188 (emphasis added.)

10. See, *Weil Ceramics and Glass, Inc. v. Dash*, 878 F.2d 659 (3d Cir. 1989) (Becker, J. concurring); *Duracell, Inc. v. Global Imports, Inc.*, 12 U.S.P.Q.2d 1651 (S.D.N.Y. 1989); L. Horwitz & E. Horwitz, *Intellectual Property Counseling and Litigation*, ch. 95.03[3][c].

YCA is a wholly-owned subsidiary of Yamaha Japan, and was organized under California law. Under *Sumitomo* and Articles X and XXII(3) of the Friendship Treaty, YCA is a U.S. corporation entitled to the same trademark rights as all other U.S. corporations, and to have its status as a U.S. company recognized. The Ninth Circuit's finding that YCA had no rights under either §§32 or 42 of the Trademark Act, or §526 of the Tariff Act, solely because of its Japanese ownership, discriminatorily denies YCA its rights under these statutes which other domestic companies are free to enjoy. This is directly contrary to *Sumitomo* and the express language of the Friendship Treaty which prohibit such discrimination.

#### A. Sections 32 and 42 of the Trademark Act

The Ninth Circuit's decision discriminatorily denied Yamaha its rights as a U.S. trademark owner under §§32 and 42 of the Trademark Act because it is Japanese-owned. The court specifically stated on page 2 of its Opinion that its previous decision in *NEC Electronics v. CAL Circuit ABCO*, 810 F.2d 1506 (9th Cir. 1987), controlled its disposition of this case, and found that "federal trademark law affords no protection for a wholly owned United States subsidiary of a foreign manufacturer against a rival company that imports and sells goods made by the foreign parent company." In so doing, the Ninth Circuit's decision stripped Yamaha of its trademark rights without even mentioning, addressing or acknowledging Yamaha's Treaty arguments.

The discriminatory nature of the Ninth Circuit's decision in this case is brought into sharp focus by its earlier decision reaching the opposite result in *Model Rectifier Corp. v. Takachiho International, Inc.*, 709 F.2d 1517 (9th Cir. 1983).<sup>11</sup> In *Model Rectifier*, the Ninth Circuit affirmed without opinion the district court's grant of a preliminary injunction against gray marketing under §32 of the Trademark Act. The only difference between *Model Rectifier* and *NEC* was that no parent-subsidiary relationship

11. *Model Rectifier* is an unpublished affirmance by the Ninth Circuit. However, its unpublished Opinion appears at 221 U.S.P.Q. 502. The District Court's Opinion in *Model Rectifier* is published at 220 U.S.P.Q. 508 (C.D. Cal. 1982).

existed between the foreign manufacturer and the U.S. distributor and trademark owner. Here, the Ninth Circuit denied Yamaha the very same rights for the sole reason that it is Japanese-owned. The Ninth Circuit's decision creates a separate body of trademark law for foreign-owned U.S. trademark holders where neither §32 nor §42 of the Trademark Act make any such distinction. The Ninth Circuit's decision is a refusal to follow *Sumitomo* and the clear language of the Friendship Treaty.

The Third Circuit, in *Weil Ceramics and Glass, Inc. v. Dash*, 878 F.2d 659 (3d Cir. 1989), made this same improper distinction. *Weil* distinguished an earlier Third Circuit decision, *Premier Dental Products v. Darby Dental Supply Co.*, 794 F.2d 850 (3d Cir. 1986), which enjoined gray marketing, stating that the lack of independence of the trademark owner from the foreign manufacturer precludes the foreign-owned U.S. company from availing itself of §§ 32 and 42 of the Trademark Act, and § 526 of the Tariff Act. *Weil*, 878 F.2d at 666, n. 7. The *Weil* court itself even recognized that it was apparently creating two sets of trademark laws, one for foreign owned, and one for U.S. owned, domestic companies. 878 F.2d at 673, n. 19. Such disparate treatment is in direct contravention of the Friendship Treaty as interpreted by this Court in *Sumitomo*.

The Ninth Circuit's decision, by ignoring the Friendship Treaty, also disregards the express congressional intent behind the Trademark Act stated in §45 thereof, 15 U.S.C. §1127. Section 45 states in relevant part:

The intent of this Act is to...provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

Failure to accord YCA these rights conflicts with the Friendship Treaty, and contravenes the intent behind enactment of the Trademark Act. This Court should grant *certiorari* to stop this discriminatory application of the trademark laws not only to Yamaha, but to many other U.S. companies similarly situated.

### **B. Section 526 of the Tariff Act**

YCA's claim under §526 was based on its recordation of its marks with Customs and ABC's importation of goods bearing the "Yamaha" marks without YCA's consent. Even though YCA had fully complied with the requirements of §526, the Ninth Circuit granted summary judgment against Yamaha's claim under §526 of the Tariff Act based on Customs Regulation 133.21(c)(2), 19 C.F.R. §133.21(c)(2). The Regulation engrafts an exception onto §526 of the Tariff Act to deny protection where the mark was applied by a foreign manufacturer who is related to the domestic trademark owner. The court's determination that "the regulation leaves no room for Yamaha's Tariff Act claim" is contrary to *Sumitomo* and the Friendship Treaty. It also permits a regulation to strip away Yamaha's right to a private cause of action expressly granted by §526(c) of the Tariff Act.

The Ninth Circuit, through its reliance on the Customs Regulation to deny YCA protection under the Tariff Act, gives a regulation greater precedence than a statute. It also totally ignores YCA's domestic corporate status to find that its trademarks are in effect owned by its Japanese parent. By denying YCA rights under the Tariff Act which other domestic companies are free to enjoy, the Ninth Circuit effectively treats YCA as a Japanese company. This is in direct contravention of *Sumitomo* and the Friendship Treaty which require that YCA's status as a U.S. company be recognized, and that it be accorded the same rights under the Tariff Act and all U.S. laws as other domestic companies. The Court should review this case to carry out the intent of the Friendship Treaty as construed in *Sumitomo* to decide whether §526 is limited by the Regulation.

### **C. Even If Treated As a Japanese Company, YCA is Entitled to the Protections of the Trademark and Tariff Acts**

Even if YCA is treated as a Japanese company in contravention of *Sumitomo*, the Friendship Treaty still requires that YCA be permitted to avail itself of the protections of the Trademark and Tariff Acts. Article X of the Friendship Treaty requires that

Japanese companies be accorded "national treatment" with respect to trademark rights. National treatment was defined in *Sumitomo* to be "equal treatment with domestic corporations." 457 U.S. at 188, n. 18. Denying to YCA, if treated as a foreign corporation, the same rights to which domestic companies are entitled certainly does not comport with national treatment.

Though the Tariff Act specifically limits its protections to "domestic" companies, those companies of countries with whom the U.S. has treaties providing for national treatment with regard to trademark rights must be regarded as domestic companies. As stated in *Sumitomo*, that is the only way to ensure that Treaty partners actually are afforded national treatment. Therefore, even if YCA were treated as a foreign corporation because of its Japanese ownership, it must be accorded rights under the Trademark and Tariff Acts by virtue of the Friendship Treaty.

#### **D. The Ninth Circuit's Decision Conflicts With the Paris Convention**

Article 2(1) of the Paris Convention for the Protection of Industrial Property (Paris Convention) also requires that member nations be accorded national treatment with regard to trademark rights. Article 2(1) specifically provides that member countries' nationals shall have the same protections as nationals, including the same legal remedies against infringement. If YCA is to be treated as a foreign company, the rationale applied above with respect to the Friendship Treaty applies with equal force to the Paris Convention. Thus, the Ninth Circuit's decision conflicts with the Paris Convention as well.

Article 2(2) of the Paris Convention prohibits the establishment of a domicile requirement upon member countries. Section 526 of the Tariff Act, however, contains such a requirement. For foreign corporations, the domicile requirement is satisfied by operation of the Paris Convention. Thus, §526 must be construed to include corporations of member nations as domestic companies. Therefore, YCA, even if treated as a Japanese company, as it was by the Ninth Circuit, should be entitled to invoke the protections of §526.



Under the Friendship Treaty, YCA is a legitimate U.S. company entitled to all of the rights of any other U.S. company. The Ninth Circuit's refusal to acknowledge YCA's status under the Friendship Treaty denies it the protection of U.S. laws. If YCA is not a U.S. company, then it must be a Japanese company, entitled to the protections afforded under U.S. law by operation of the Paris Convention. The odd predicament resulting from the Ninth Circuit's decision in the present case is that YCA is held to be neither a U.S. nor a Japanese company. This Court should remedy this Catch-22 situation in which Yamaha and many other similarly situated domestic companies find themselves entrapped.

## **II. THE NINTH CIRCUIT'S DECISION CONFLICTS WITH DECISIONS OF THIS COURT AND THE SECOND, D.C., AND FEDERAL CIRCUITS ON THE TRADEMARK AND TARIFF ACTS**

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The Ninth Circuit's decision adds to the already conflicting and confused decisions of the Circuit Courts of Appeal on the Regulation's application to private causes of action under the Trademark and Tariff Acts. It also conflicts with this Court's decisions in *Morrill v. Jones*, 106 U.S. 466 (1883) and *A. Bourjois & Co., Inc. v. Katzel*, 260 U.S. 689 (923). The Ninth, Third and Second Circuits conflict with respect to the Regulation's application to §32 of the Trademark Act. The Ninth, Third and D.C. Circuits conflict with respect to its application to §42 of the Trademark Act. The Ninth, Third, Second and Federal Circuits conflict with regard to the Regulation's application to private causes of action under §526 of the Tariff Act. Only this Court can clear up the conflict and confusion in the Circuits.

### **A. Section 32 of the Trademark Act**

The Ninth Circuit's holding that Yamaha has no cause of action for trademark infringement under §32 of the Trademark Act because it is a wholly-owned subsidiary of a Japanese corporation is based on its prior decision in *NEC*, and in accord with the



Third Circuit's decision in *Weil*, 878 F.2d 659. *Weil* held that the Customs Regulation precluded a private cause of action for trademark infringement under §32.

The Ninth Circuit's rationale for denying YCA its rights under §32 of the Trademark Act is based on the misapplication of the Customs Regulation to §32. As in the Regulation, the court looked to the relationship between YCA and Yamaha Japan to determine whether YCA had a trademark infringement claim against ABC, notwithstanding the fact that the Regulation was not intended to implement §32, or that §32 admits of no such exception. The court effectively found that the Regulation precluded a private cause of action under §32 of the Trademark Act for wholly-owned subsidiaries of Japanese companies.

Both the Ninth Circuit here and in *NEC*, and the Third Circuit in *Weil*, however, conflict with the Second Circuit's decision in *Original Appalachian Artworks, Inc. v. Granada Electronics, Inc.*, 816 F.2d 68, 71 (2d Cir.), *cert. denied*, 484 U.S. 847 (1987). In *Original Appalachian*, the Second Circuit found that gray marketing was trademark infringement under §32 of the Trademark Act regardless of the relationship between the trademark owner and foreign manufacturer. In so doing, it specifically found that the Regulation did not preclude a private cause of action for trademark infringement. 816 F.2d at 71. This is in sharp contrast to the Ninth Circuit's decision here, and the Third Circuit's decision in *Weil*, which hold that it does.<sup>12</sup>

Furthermore, to the extent that the Ninth Circuit's and the *Weil* court's decisions rely on the Regulation to strip Yamaha of rights granted to it under §32 of the Trademark Act, they conflict with this Court's decision in *Morrill v. Jones*, 106 U.S. 466 (1883). *Morrill* held that a regulation cannot insert into a statute a limi-

12. Several other district courts have addressed the issue with varying results. *Osawa & Co. v. B & H Photo*, 589 F. Supp. 1163 (S.D.N.Y. 1984) (gray marketing is trademark infringement under §32); *Bell & Howell: Mamuya Co. v. Masel Supply Co.*, 548 F. Supp. 1063 (E.D.N.Y. 1982) (gray marketing is trademark infringement), *vacated and remanded on other grounds*, 719 F.2d 42 (2d Cir. 1983); *Dial Corp. v. Encina Corp.*, 643 F. Supp. 951 (S.D. Fla. 1986) (gray marketing is trademark infringement).

tation which Congress did not prescribe. Here, the Ninth Circuit's application of the Customs Regulation to §32 effectively adds a limitation to §32 which Congress did not include, namely that foreign-owned U.S. trademark owners cannot avail themselves of §32. This is clearly contrary to *Morrill*.

The Ninth Circuit's decision also conflicts with this Court's decision in *A. Bourjois & Co., Inc. v. Katzel*, 260 U.S. 689 (1923), in that it fails to recognize the territorial nature of trademark protection. *See also, Person's Co., Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990) (concept of territoriality is basic to trademark law); Article 6 of the Paris Convention. Merely because the "Yamaha" trademarks were applied legally by Yamaha Japan, and in the markets where ABC purchases its gray market "Yamaha" products, does not make it legal for ABC to import and distribute such products in the U.S. This Court should review the conflicts created by the Ninth Circuit's decision and conclusively resolve the gray market issue.

**B. The Ninth Circuit's Decision on  
Section 42 of the Trademark Act Conflicts  
With the D.C. Circuit's Decision in *Lever Bros.***

The Ninth Circuit denied Yamaha its rights under §42 of the Trademark Act again because it is Japanese owned. Section 42, on its face, contains no exception to protection based on the nationality of the trademark owner's stockholder. In so doing, the Ninth Circuit's decision conflicts with the District of Columbia Circuit's decision in *Lever Bros. v. United States*, 877 F.2d 101 (D.C. Cir. 1989).

*Lever* held that the Customs Regulation was inconsistent with §42 of the Trademark Act where the gray market goods are physically different from authorized U.S. goods. The D.C. Circuit stated that the deceit found by the Second Circuit in *Original Appalachian* under §32 of the Trademark Act was equally applicable to §42. *Lever*, therefore, did not find that the relationship between the trademark owner and the foreign manufacturer precludes §42 protection. The Ninth Circuit here, on the other

hand, found that Yamaha had no rights under §42 of the Trademark Act simply because of the relationship between YCA and Yamaha Japan. The Ninth Circuit's decision here, therefore, conflicts with the D.C. Circuit's decision in *Lever*.

As shown above with respect to §32 of the Trademark Act, the Ninth Circuit's decision on §42 also conflicts with this Court's decision in *Morrill*. The Ninth Circuit is again grafting a limitation onto §42 regarding foreign-owned companies which Congress did not impose. Insofar as the Ninth Circuit's decision refuses to acknowledge the territoriality of trademark law, it also conflicts with *Katzel*.

### **C. The Ninth Circuit's Decision on The Tariff Act Conflicts with Decisions Of the Second and Federal Circuits**

The Ninth Circuit's decision along with the Third Circuit's decision in *Weil* conflict with decisions of the Second and Federal Circuit Courts of Appeal on whether the Regulation precludes a private cause of action for a wholly-owned subsidiary under §526 of the Tariff Act. The Second Circuit in *Original Appalachian*, 816 F.2d at 71, and *Olympus Corp. v. United States*, 792 F.2d 315, 320 (2d Cir. 1986), expressly found that Customs' decision not to prohibit importation of gray market products does not preclude a trademark owner from pursuing private remedies against the importer under the Tariff Act.

Likewise, the Federal Circuit, in *Vicitar Corp. v. United States*, 761 F.2d 1552 (Fed. Cir.), *cert. denied*, 474 U.S. 1055 (1985), expressly recognized that the Customs Regulation did not prevent a private right of action. *K Mart*, 486 U.S. 281, did not address the scope of protection under §526, but rather only found Customs' interpretation of §526 through its Regulation to be reasonable for Customs' purposes. The Ninth Circuit's decision which strips Yamaha of its right to bring a private cause of action under the Tariff Act based on a mere regulation is directly contrary to the pronouncements of the Second and Federal Circuits. With respect to §§32 and 42 of the Trademark Act, the decision

also conflicts with this Court's decision in *Morrill* for the reasons stated above. In sum, four Circuits, namely the Second, Third, Federal and Ninth Circuits have addressed the issue with differing results.<sup>13</sup>

### **CONCLUSION**

For the foregoing reasons, Yamaha respectfully requests that this Court grant *certiorari*, and review the Ninth Circuit's decision.

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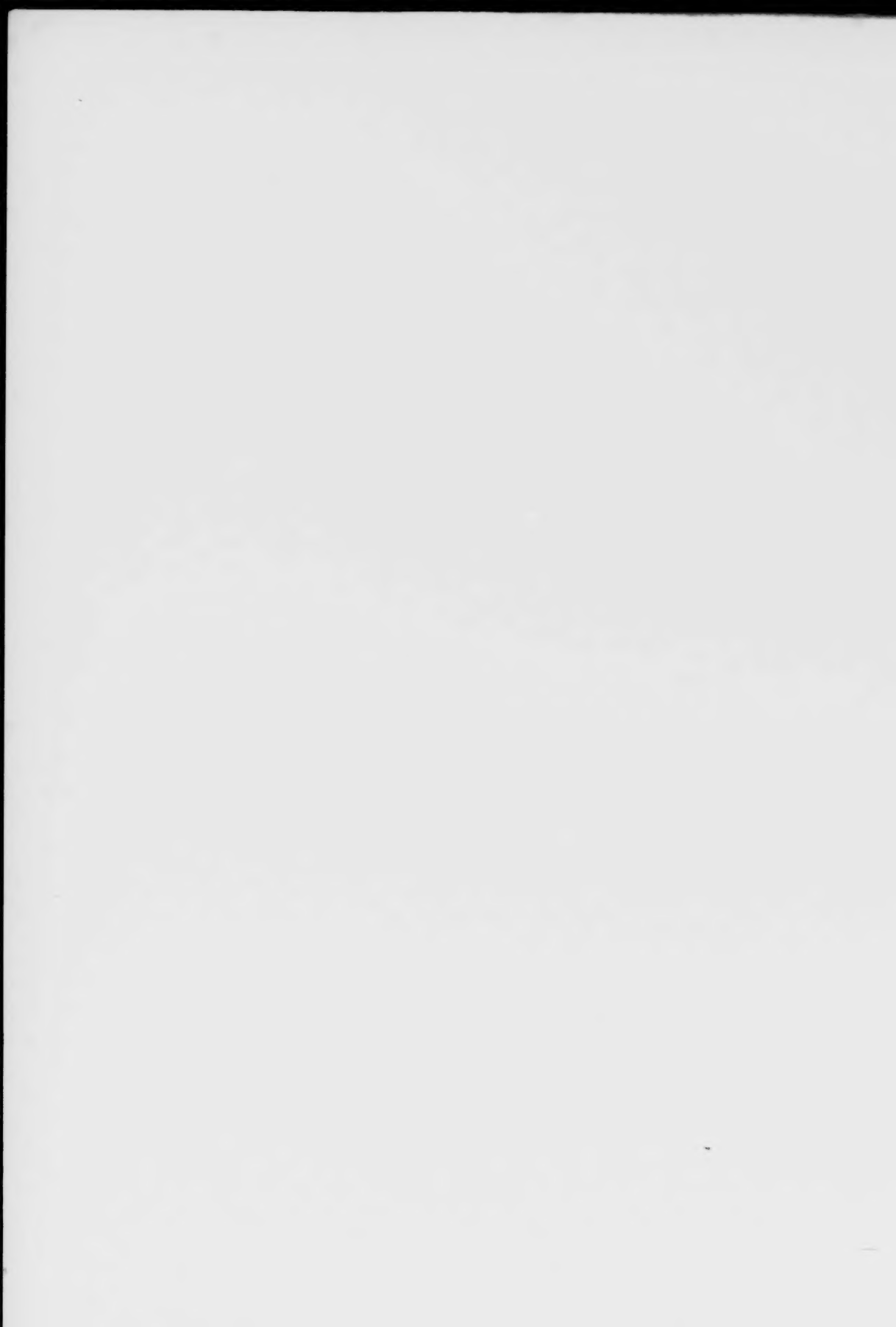
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<sup>13</sup> There are also several district court decisions which conflict with respect to whether gray marketing violates §526 and whether a trademark owner has a private cause of action thereunder regardless of the Regulation. *Osawa & Co. v. B & H Photo*, 589 F. Supp. 1163 (S.D.N.Y. 1984) (a trademark owner, even though wholly-owned by foreign interests, has a private cause of action under § 526); *Bell & Howell; Mamiya Co. v. Masel Supply Co.*, 548 F. Supp. 1063 (E.D.N.Y. 1982) (gray marketing is trademark infringement), *vacated and remanded on other grounds*, 719 F.2d 42 (2d Cir. 1983); *Dial Corp v. Encina Corp.*, 643 F. Supp. 951 (S.D. Fla. 1986) (a trademark owner has a private cause of action under §526); *Epoch Distributors, Inc. v. Quality King Distributors, Inc.*, 2 U.S.P.Q. 2d 1805 (E.D.N.Y. 1987) (a trademark owner has a private cause of action under §526).

## APPENDIX



1a

NOT FOR PUBLICATION  
IN THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

YAMAHA CORPORATION OF AMERICA;  
YAMAHA ELECTRONICS CORPORATION,  
U.S.A.,

*Plaintiffs-Counter-Defendants-Appellees,*  
c.

No. 90-55036

D.C. # CV-86-7892-RSWL

ABC INTERNATIONAL TRADERS, INC.,

*Defendant-Counterclaimant-Appellant,*  
and

ISAAC LARIAN; FARHAD LARIAN,

*Defendants.*

MEMORANDUM\*

YAMAHA CORPORATION OF AMERICA;  
YAMAHA ELECTRONICS CORPORATION,  
U.S.A.,

*Plaintiffs-Counter-Defendants-  
Appellants,*  
c.

No. 90-55120

ABC INTERNATIONAL TRADERS, INC.,

*Defendant-Counterclaimant-Appellee,*

ISAAC LARIAN; FARHAD LARIAN,

*Defendants-Appellees.*

Appeal from the United States District Court  
for the Central District of California  
Ronald S.W. Lew, District Judge, Presiding  
Argued and submitted April 2, 1991  
Pasadena, California

\* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by 9th Cir. R. 36-3.

Before: SCHROEDER and REINHARDT, Circuit Judges, and KING,\*\* District Judge.

This case began as an action filed by Yamaha Corporation of America ("Yamaha") against ABC International Traders, Inc. ("ABC"), for trademark infringement and violations of the Tariff Act, 19 U.S.C. § 526, based upon ABC's parallel importation of products to which Yamaha claims exclusive trademark rights. ABC filed a counterclaim, alleging that Yamaha's practices, designed to insure the exclusivity of its distribution of the products involved, violated antitrust laws. The district court granted summary judgment against Yamaha on the trademark action, and dismissed ABC's antitrust counterclaims for failure to state a claim upon which relief could be granted. In addition, the district court held that ABC could not proceed against Yamaha's parent company, Yamaha-Japan, because the court lacked personal jurisdiction over the Japanese company. Both sides appeal the rulings against them.

Our disposition of Yamaha's appeal from the summary judgment on its trademark claims is controlled by our decision in *NEC Electronics v. Cal. Circuit ABCO*, 810 F.2d 1506 (9th Cir.), cert. denied, 484 U.S. 851 (1987). There, we held that federal trademark law affords no protection for a wholly owned United States subsidiary of a foreign manufacturer against a rival company that imports and sells goods made by the foreign parent company. The appearance of the trademark, affixed by the parent, on the goods imported by the rival does not constitute a false designation of origin or a close mimic of a competitor's mark likely to create confusion between two different products. The origin of the products is the same. Under *NEC*, there can be no successful trademark claim here, where the "Yamaha" mark appearing on goods distributed by ABC was affixed by Yamaha-Japan, the manufacturer from whom ABC acquired the goods.

Yamaha belatedly attempts to distinguish this case from *NEC* on the ground that the products being imported by ABC are

\*\* The Honorable Samuel P. King, Senior United States District Judge for the District of Hawaii, sitting by designation.



different from those imported by Yamaha. Yamaha claims that the products distributed by ABC were not intended for distribution in the United States, and are physically different from those distributed by Yamaha. Yamaha failed to preserve this issue on appeal, however, by not timely raising it in response to ABC's summary judgment motion. The only place in the record below where Yamaha contended that there were physical differences between its products and those of ABC was in Yamaha's motion for reconsideration of the district court's order refusing to certify the summary judgment for immediate appeal. The record is devoid of any explanation for Yamaha's failure to raise this issue at an earlier point or to respond to the summary judgment motion with a request for further discovery under Fed. R. Civ. P. 56(f). There was no need for the district court to consider Yamaha's proffered evidence at the time of the reconsideration motion, particularly given that Yamaha sought to introduce it in the form of a lawyer affidavit. *See Brae Transp., Inc. v. Coopers & Lybrand*, 790 F.2d 1439, 1443 (9th Cir. 1986) (grant of summary judgment not error where losing party made no motion under Rule 56(f), and referred to need to develop record further only in legal memoranda in opposition to summary judgment and in post-judgment motions). The district court did not err in granting summary judgment against Yamaha on the trademark claims.

The district court also correctly granted summary judgment in favor of ABC on Yamaha's claims under the Tariff Act, 19 U.S.C. § 526, which prohibits the importation of foreign made goods bearing a trademark owned by a United States corporation. The regulations promulgated under that section specifically state that the prohibitions on such importation do not apply when the domestic trademark owner is a subsidiary of the company that manufactured the goods sought to be imported. 19 C.F.R. §133.21(c)(2). The Supreme Court has upheld this regulation as valid. *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 292 (1988). We affirm the district court's determination that the regulation leaves no room for Yamaha's Tariff Act claim.

After summary judgment had been granted on the trademark claims, the district court dismissed ABC's antitrust counter-

claims. It noted that ABC had abandoned its claims under the section 3 of the Clayton Antitrust Act, 15 U.S.C. § 3, section 73 of the Wilson Tariff Act, 15 U.S.C. § 8, and California's Cartwright Act, Cal. Bus. & Prof. Code §§ 16600 *et seq.* ABC does not dispute this aspect of the district court's treatment of its counterclaims. The district court also dismissed ABC's claim that Yamaha had engaged in illegal monopoly and had conspired with its authorized distributors in restraint of trade, in violation of sections 1 and 2 of the Sherman Antitrust Act, 15 U.S.C. §§ 1 and 2. Having dismissed all of ABC's federal claims, the district court refused to continue to exercise jurisdiction over ABC's remaining pendent state law claims for interference with business relations, defamation and unfair competition. ABC appeals these aspects of the district court's ruling.

The district court first found that ABC had not adequately pled a discrete submarket of Yamaha products, and that therefore ABC could not proceed on a theory that Yamaha was attempting to create a monopoly in such a submarket. On appeal, ABC argues that the existence of such a submarket is not necessary to its antitrust claims against Yamaha. Rather, it characterizes its claims as involving antitrust violations in a relevant market consisting of certain types of electronics equipment, regardless of manufacturer.

The district court specifically held that ABC had adequately pled such a market. It then correctly noted that the question of whether Yamaha's actions violated the antitrust laws was subject to a rule of reason analysis, *Continental TV, Inc. v. GTE Sylvania, Inc.*, 433 U.S. 36 (1977). The district court erred, however, in ruling that since similar restrictions have previously been upheld under such an analysis, Yamaha's actions were, as a matter of law, reasonable. Once it is determined that the rule of reason analysis applies, the case must be further developed to allow for such application. *See Costen v. Pauline's Sportswear, Inc.*, 391 F.2d 81 (9th Cir. 1968). Disposition at the pleading stage is inappropriate. We therefore reverse the district court's dismissal of these claims. Since we reinstate these federal claims, the district court now has basis for exercising pendent jurisdiction over the state

claims that were not abandoned. We therefore reverse the dismissal of those claims as well.

ABC also attempted to assert its antitrust claims against Yamaha's parent company, Yamaha-Japan. The district court ruled that it lacked personal jurisdiction over the Japanese company. Because we reverse the grant of summary judgment against ABC on the antitrust claims, we must consider whether such dismissal of Yamaha-Japan was correct. Analyzing Yamaha-Japan's contacts with California under California's long arm statute, CCP § 410.10, the district court found that those contacts were not sufficient to give rise to jurisdiction over that entity in a California court. Subsequent to the district court's ruling, we held that a federal court may exercise personal jurisdiction over a foreign corporation in an antitrust suit based upon that corporation's contacts with the United States as a whole. *Go-Video, Inc. v. Akai Electric Co., Ltd.*, 885 F.2d 1406 (9th Cir. 1989). We therefore remand this question to the district court so that it may consider Yamaha-Japan's contacts with the United States as a whole in determining whether to exercise personal jurisdiction over that company.

We deny ABC's motion to release its opening brief from retention under seal as moot.

AFFIRMED IN PART; REVERSED IN PART.

CENTRAL DISTRICT OF CALIFORNIA  
CIVIL MINUTES – GENERAL

Case No. CV86-7892-RSWLDate 11-9-87

Name YAMAHA INTERNATIONAL, et al -v-  
ABC INTERNATIONAL TRADERS, et al

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DOCKET ENTRY

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PRESENT:

Hon. Ronald S. W. Lew, Judge

Debbie Hirshberg  
Deputy Clerk

Lucille Litsheim  
Court Reporter

ATTORNEYS PRESENT  
FOR PLAINTIFFS:

Robert Wagner  
David Lu

ATTORNEYS PRESENT  
FOR DEFENDANTS:

Greg Wood  
Larry Russ

PROCEEDINGS:

Defendant's motion for partial summary judgment

Case called. Counsel appear and argue. Court GRANTS the motion as to counts 1 and 2. Court adopts the findings submitted by defendant with changes.

Initials of Deputy Clerk /s/ DH

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

YAMAHA INTERNATIONAL  
CORPORATION,  
a California corporation, and  
YAMAHA ELECTRONICS  
CORPORATION, U.S.A.,  
a California corporation,  
*Plaintiffs,*

*v.*

ABC INTERNATIONAL  
TRADERS, INC.,  
ISAAC LARIAN and FARHAD  
LARIAN,  
individually and as officers of  
Defendant  
ABC INTERNATIONAL  
TRADERS, INC. and  
JOHN DOES 1-10  
*Defendants.*

CV No. 86-7892 RSWL (TX)

STATEMENT OF  
UNCONTROVERTED  
FACTS AND  
CONCLUSIONS  
OF LAW

ABC INTERNATIONAL  
TRADERS, INC.,  
*Counter-Claimant,*  
*v.*

YAMAHA INTERNATIONAL  
CORPORATION,  
a California corporation, and  
YAMAHA ELECTRONICS  
CORPORATION, U.S.A.,  
a California corporation, and  
NIPPON GAKKI SEIZO  
KABUSHIKI KAISHA,  
a/k/a NIPPON GAKKI CO., LTD.,  
a Japanese corporation, and  
JOHN DOES 1-10,  
*Counter-Defendants.*

**STATEMENT OF UNCONTROVERTED  
FACTS AND CONCLUSIONS OF LAW**

Defendants submit the following statement pursuant to Local Rule 7.14.1.

**A. Uncontroverted Facts**

1. Nippon Gakki Seizo Kabushiki Kaisha ("Nippon Gakki") is a Japanese corporation, located in Japan, which manufactures, *inter alia*, electronic musical goods.
2. Yamaha International Corporation is a wholly-owned United States subsidiary of Nippon Gakki.
3. Yamaha Electronics Corporation, U.S.A., is a wholly-owned subsidiary of Yamaha International Corporation.
4. Until November 19, 1986, Nippon Gakki was the registered owner of United States Trademark Registrations 893,188; 1,013,806; and 1,205,408 for the trademarks "YAMAHA", "a tuning fork design", and "PORTASOUND", respectively. On that date, Nippon Gakki purported to assign those trademark registrations to Yamaha International Corporation. On December 4, 1987, the purported assignment was recorded in the U.S. Trademark Office.
5. ABC International Traders, Inc. ("ABC") also imports and wholesales, *inter alia*, "YAMAHA" brand electronic and musical goods manufactured by Nippon Gakki in direct competition with Yamaha International Corporation and Yamaha Electronics.
6. Isaac and Farhad Larian are owners and officers of ABC.

**B. Conclusions of Law**

1. Yamaha International Corporation, as a wholly-owned subsidiary of Nippon Gakki, lacks independence from Nippon Gakki and is under common ownership and control with Nippon Gakki. *NEC Electronics v. CAL Circuit Abco*, 810 F.2d 1506 (9th Cir. 1987).

2. Yamaha Electronics Corporation, as a wholly-owned subsidiary of Yamaha International Corporation, lacks any independence from Nippon Gakki.

3. ABC sells genuine Nippon Gakki manufactured goods. *NEC, supra, Monte Carlo Shirt, Inc. v. Daeewood Intern. (America)*, 707 F.2d 1054 (9th Circ. 1983); *Olympus Corp. v. United States*, 792 F.2d 315 (2nd Circ. 1986).

4. There is and can be no likelihood of confusion, or confusion as to source, origin or sponsorship, between Nippon and Nippon Gakki-manufactured goods sold by Yamaha International Corporation and Nippon Gakki-manufactured goods sold by ABC, which bear trademarks identical to the assigned trademarks. *NEC, supra; Monte Carlo, supra; Bell & Howell; Mamiya Co. v. Masei Supply Co. Corp.*, 719 F.2d 42 (2d Circ. 1983).

5. As a matter of law there is and can be no violation of Lanham Act Sections 32 or 43(a) by ABC, Isaac Larian or Farhad Larian by virtue of the acts of ABC in importing and selling "YAMAHA" brand goods manufactured by Nippon Gakki. *Id.*

6. Defendants are entitled to judgment as a matter of law and partial summary judgment shall be granted in defendants' favor as to Counts I and II of the Complaint.

Respectfully submitted,

October \_\_, 1987

By \_\_\_\_\_  
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FILED  
DEC 23 1988

11a

CLERK, U.S. DISTRICT COURT  
CENTRAL DISTRICT OF  
CALIFORNIA  
BY \_\_\_\_\_

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

YAMAHA CORPORATION OF	)	
AMERICA et al.,	)	No. CV 86-7892-RSWL
	)	
<i>Plaintiffs,</i>	)	
	)	
v.	)	OPINION
	)	
ABC INTERNATIONAL TRADERS,	)	
CORP., et al.,	)	
	)	
<i>Defendant(s).</i>	)	

---

Plaintiff Yamaha Corporation of America ("Yamaha-America") brought this action claiming that the importation and sale of Yamaha brand goods by defendant ABC International Traders Corporation ("ABC") violates various provisions of Federal and California law.<sup>1</sup> In this motion, ABC seeks summary judgment as to Counts III, IV, and V of Yamaha's first amended complaint. Count III alleges unfair trade practices actionable under California Business and Professions Code §17200 and "common law." Count IV alleges dilution and injury to reputation pursuant to California Business and Professions Code §14330. Count V alleges violations of the Tariff Act of 1930 § 526, 19 U.S.C. § 1526 and the Lanham Act § 42, 15 U.S.C. § 1124. A hearing was held on this matter October 17, 1988 at which time the Court heard argument and issued an order granting summary judgment to defendants on all three claims. The following shall constitute the Court's findings of fact and conclusions of law in support of that order.

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1. Plaintiffs Yamaha Electronics Corporation and Yamaha Music Corporation are wholly-owned subsidiaries of Yamaha America Corporation. Defendants Isaac and Farhad Larian are owners and officers of ABC.

## I. Factual Background

Yamaha-Japan (formerly named Nippon Gakki Seizo Kabushiki Kaisha) is a Japanese corporation which manufactures, *inter alia*, electronic musical instruments and sound equipment. Yamaha-Japan affixes various of the trademarks at issue in this case to the equipment it produces. Plaintiff Yamaha-America is a California corporation wholly-owned by Yamaha-Japan. Until November 19, 1986, Yamaha-Japan was the registered owner of certain Yamaha trademarks as used on electronic musical instruments and sound equipment.<sup>2</sup> On that date, Yamaha-Japan assigned the Yamaha trademark registrations as used on electronic musical instruments and sound equipment to Yamaha-America. Yamaha-America is now the title holder to all of the U.S. registrations for the Yamaha trademarks as applied to electronic musical instruments and sound equipment.

Defendant ABC imports, distributes, advertises, warrants and provides support services for various brands of goods including genuine Yamaha brand electronic musical instruments and sound equipment.<sup>3</sup> ABC's sale of and offer of services for genuine Yamaha brand goods is in direct competition with the sales and service provided by Yamaha-America. ABC uses the Yamaha trademarks in its advertisements for the genuine Yamaha brand goods it sells. ABC provides its own warranty and support services with respect to the various brands of goods which it distributes including Yamaha brand goods.

On December 28, 1987 Yamaha-America filed its First Amended Complaint. As noted above, Count III alleges unfair trade practices actionable under California Business and Professions Code §17200 and "common law," Count IV alleges dilution

2. The marks at issue in this case are "Yamaha," "Yamaha Tuning Fork Design," and "Portasound."

3. Hereafter, equipment manufactured by Yamaha-Japan will be described as "genuine." Any contention that only equipment sold through Yamaha-America should be considered genuine is meritless. Despite Yamaha-America's ownership of the Yamaha marks, it is clear from the papers submitted that the Yamaha marks represent design and manufacture by Yamaha-Japan.

and injury to reputation pursuant to California Business and Professions Code §14330, and Count V alleges violations of the Tariff Act of 1930 § 526, 19 U.S.C. § 1526 and the Lanham Act §43 (a), 15 U.S.C. § 1124. The factual basis for each claim is ABC's alleged importation of goods bearing the Yamaha trademarks without the approval or sanction of Yamaha-America, the owner of those marks. The first Amended Complaint stated in pertinent part:

Notwithstanding YAMAHA's rights in its registered "Yamaha" Marks (sic), Defendants have been in the possession of, and have dealt in, advertised, offered for sale and sold in commerce, sound keyboards, digital synthesizers, FM tone generators, digital rhythm programmers, digital processor/reverbs, digital reverberators and 4 track recorders which were *made by Nippon Gakki Seizo Kabushiki Kaisha* and bearing marks identical or confusingly similar to one or more of plaintiffs "Yamaha" marks, knowing that such goods were neither imported or placed in commerce by YAMAHA, the owner of the trademark registrations. (First Amended Complaint p. 13.) (emphasis added)

On August 26, 1988 ABC moved the Court for summary judgment as to the third, fourth and fifth claims for relief. The motion was timely opposed and the Court, after hearing oral argument, granted the motion in its entirety with findings of fact and conclusions of law to follow.

## II DISCUSSION

Federal Rule of Civil Procedure 56(c) provides that summary judgment is appropriate when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. The burden of proving these elements falls on the moving party but the adverse party, in order to evade summary judgment, must provide the Court with some evidence that a genuine issue of fact does exist. Rule 56 states in pertinent part, "When a motion for summary judgment is made...an adverse party may not rest upon the mere allegations or denials of his pleading, but his response by affidavits or as otherwise pro-

vided in this rule, must set forth specific facts showing that there is a genuine issue for trial. If he does not so respond, summary judgment, if appropriate, shall be entered against him." Interpreting this requirement, the Supreme Court, in *Celotex v. Catrett*, — U.S. —, 106 S.Ct. 2458 at 2552-53 (1986), held that the moving party is entitled to summary judgment when the non-moving party fails to make a sufficient showing on an essential element of his case with respect to which he will bear the burden of proof at trial.

It is the opinion of this Court that Yamaha-America has failed to make a sufficient showing on several elements of its claims against ABC.

### **COUNT III – ALLEGING UNFAIR BUSINESS PRACTICES IN VIOLATION OF CALIFORNIA BUSINESS AND PROFESSIONS CODE SEC. 17200 ET SEQ.**

California Business and Professions Code §17200 et seq. establishes a remedy for the broad tort of "unfair competition." Specifically, the statute makes actionable any "unlawful, unfair or fraudulent business practice" and any "unfair, deceptive or misleading advertising" practice. Yamaha has alleged that ABC has violated that statute by, 1) selling non-Yamaha goods that are labeled with the Yamaha name and trademark, 2) using the Yamaha name and trademark in offering "warranty" services to dealers and 3) misappropriating Yamaha's good will by engaging in those practices.

ABC contends that it has not violated §17200 because it is selling *genuine* Yamaha goods and identifying them as such. They note that selling genuine Yamaha goods under the Yamaha trademark is not in any way false or misleading and thus is not actionable under Section 72002. ABC further argues that it does not hint or imply that it is an approved or authorized dealer of Yamaha products and that it places notices on all of the Yamaha goods they sell and all of the advertisements they produce that

state that the goods are imported and distributed by ABC and not by Yamaha itself. ABC has provided declarations and samples of their advertising that support these contentions.

Yamaha-America has responded to the claims put forth by ABC by first stating that ABC's contention that it sells only genuine Yamaha products is not supported by any evidence. They note that ABC has steadfastly refused to produce documents which support their claim that the products they sell are genuine. Thus, they argue that at the very least there is an issue of fact surrounding the genuineness of the products sold by ABC. Second, Yamaha states that the critical determination to be made in this case is whether or not the sale of products and services bearing the Yamaha trademark is likely to cause confusion as to source or sponsorship. They argue that the very existence of the marks is likely to cause the purchaser of the product to believe that he or she is buying an "authorized" Yamaha product. Thus, they conclude, at the very least, there is a genuine issue of fact as to consumer confusion.

Yamaha-America is mistaken as to each contention. There is no triable issue of fact as to either the genuineness of the goods sold by ABC or the possibility of customer confusion. First, Yamaha alleged in its complaint that ABC was selling goods *made by Yamaha-Japan*. (Paragraph 13- Yamaha-Japan is then referred to as Nippon-Gakki.) This constitutes a judicial admission by Yamaha-America that the products sold by ABC are genuine Yamas. Thus, Yamaha-America may not now claim that the issue of the genuineness of the products sold by ABC is disputed. "Statements made in pleadings may be admitted against the pleader as evidence in the form of judicial admissions..." *Janich Bros Inc. v The American Distilling Co.*, 570 F.2d 848 (9th Cir. 1977) (citations omitted). Plaintiffs' may not now controvert these previously admitted facts. *Jurado v Eleven-Fifty Corp.*, 813 F.2d 1406, 1410 (9th Cir. 1987), *Foster v Arcata Associates*, 772 F.2d 1453, 1462 (9th Cir. 1985), *cert. denied*, 106 S.Ct.

1267 (1986). Thus, the Court can accept as uncontroverted ABC's claim that the products they import are genuine.<sup>4</sup>

Second, Yamaha has not met its burden of establishing that a genuine issue of fact exists as to the consumer confusion as to source or sponsorship. ABC has submitted to the Court evidence that it disclaims any connection to Yamaha-Japan other than purveyor of its products. ABC does not state that it is officially sponsored or approved by Yamaha-Japan or Yamaha-America or that it can supply the purchaser with a Yamaha warranty or authorized service or training. More importantly, Yamaha-America has submitted no evidence that the sales of Yamaha products by ABC creates confusion in the minds of consumers as to the source or sponsorship of the products sold by ABC. Not a single declaration has been submitted by either an ABC customer or a general consumer of electronic musical equipment which states or even suggests that those who purchase products from ABC believe that they are receiving an authorized product. Yamaha has simply not met its burden under *Celotex* of documenting a genuine issue of fact concerning customer confusion.

#### **COUNT IV — ALLEGING REPUTATION INJURY AND DILUTION OF THE DISTINCTIVENESS OF THE YAMAHA TRADEMARK IN VIOLATION OF CALIFORNIA BUSINESS AND PROFESSIONS CODE §14330**

California Business and Professions Code §14330 provides a remedy for injury to business reputation or for dilution of the distinctive quality of a registered trademark. Yamaha-America claims that the sale by ABC of goods bearing the Yamaha trademark causes injury to Yamaha's business reputation and dilutes the effectiveness of the Yamaha trademark.

4. Additionally, despite the fact that the case was filed over two years ago, Yamaha-America has not provided the court with any evidence that the "Yamaha" products sold by ABC are made by any entity other than Yamaha-Japan. Thus, even if no judicial admission had been made, Yamaha-America has failed to provide any evidence which indicates that a genuine issue of fact exists as to the authenticity of the products sold by ABC.

Specifically, Yamaha-America notes that the extensive warranty and consumer education programs sponsored by Yamaha-America add to the attractiveness of Yamaha products and that the sale by ABC of Yamaha products without those peripherals cause injury to Yamaha-America's reputation and dilutes the Yamaha trademark. ABC responds that it cannot possibly have tarnished, degraded, or diluted either the reputation of Yamaha-America or the Yamaha trademarks because it sells only genuine Yamaha products. They note that injury to reputation and dilution of the trademark could well follow the unauthorized sale of cheaper equipment but that no legally recognizable harm can possibly come to Yamaha-America if ABC limits its activities to the sale of genuine Yamaha products.

ABC is correct. From the exhibits submitted by Yamaha-America it is clear that the Yamaha-America warranty provides extensive protection for consumers and that Yamaha-America makes efforts to educate the consumer of Yamaha products. However, it cannot be said that there is a genuine issue of fact as to whether ABC's failure to provide services identical to those provided by Yamaha-America dilutes the value of the Yamaha mark. First, as discussed above, those who purchase Yamaha products from ABC are presented with an ABC warranty and a statement that the goods have been imported by ABC rather than Yamaha. Thus, a claim that the Yamaha mark is tarnished by the sales made by ABC is not plausible. While the goods are made by Yamaha-Japan, the services provided with those goods are ABC's and thus any fallout from the lack of quality of those services reflects poorly upon ABC and not Yamaha.

Second, Yamaha as presented no evidence that the value of the Yamaha trademark has been diminished by the sale of Yamaha products by ABC. Not a single declaration has been provided to the Court which indicates that consumers who have purchased genuine Yamaha products from ABC were later disappointed to learn that the product was not backed by a Yamaha warranty or authorized Yamaha sales or service personnel. Nor have any declarations been provided which suggest that consumers value the Yamaha marks because the mark represents certain warranty or

consumer education programs. Thus, this Court can only assume that the individual who purchases at ABC receives exactly what he or she wants: A genuine product without the Yamaha warranty and other peripheral services that come with a purchase of a Yamaha product through an authorized Yamaha representative. To argue that this dilutes the Yamaha trademark is much like saying the sale of a broken down Chevrolet dilutes the value of the Chevrolet trademark.

### **COUNT V — THE TARIFF ACT VIOLATIONS**

Section 526 of the Tariff Act of 1930, 19 U.S.C. § 526 prohibits the unauthorized importation of or dealing in foreign-made merchandise bearing a registered trademark owned by a United States corporation. Yamaha-America claims defendants have imported goods bearing the Yamaha trademark in violation of these provisions. ABC maintains that the protection of U.S. companies provided by 19 U.S.C. § 526 does not apply to American subsidiaries of foreign manufacturers and, as a result, Yamaha, as a wholly owned subsidiary of Yamaha-Japan, is not entitled to claim the protection of that statute. ABC is correct.

The protection provided to American trademark holders by the Tariff Act has been consistently interpreted by U.S. Customs for more than fifty years not to be available to American subsidiaries of foreign corporations. U.S. Customs regulations interpreting the Tariff Act, 19 C.F.R. §133.21(c)(2), state that:

(c) The restriction set forth in paragraphs (a) and (b) do not apply to imported articles when: the foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control..."

This regulation was recently upheld by the Supreme Court in *K-Mart Corp. v. Cartier, Inc.*, \_\_\_ U.S. \_\_\_, 108 S. Ct. 1811 (1988). In that case, the Court, faced with a direct challenge to the customs regulation determined that the regulation incorporates a permissible interpretation of otherwise ambiguous



provisions of the Tariff Act.<sup>5</sup> Yamaha-America's attempt to characterize the *K-Mart* decision as inapplicable to the facts of this case is unconvincing. Yamaha argues that the regulations validated in *K-Mart* simply state Customs Service policy in enforcing § 526 and that the regulations are not binding on this Court. Yamaha is correct that the regulations do not define the full scope of the protections offered by § 526. *Vicitar v. United States*, 761 F.2d 1552 (2nd Cir.1985). However, this Court declines to interpret § 526 any differently than does the Customs Service. First, the regulations represent a reasoned and reasonable interpretation of the Act. *K-Mart v. Cartier*, 108 S.Ct. 1811 (1988). Second, even if this Court were to review the statute *de novo*, it would conclude that Yamaha is not entitled to relief under § 526. To allow Yamaha-America and firms like it such protection would allow any foreign manufacturer to use a wholly owned American subsidiary as a means to secure the help of American tariff law in enforcing worldwide price discrimination. This can not be seen to have been the intent of Congress in passing § 526.<sup>6</sup> See *NEC Electronics v. CAL Circuit Abco*, 810 F.2d 1506 (9th Cir. 1987). Therefore, summary judgment is appropriate as to Yamaha-America's Tariff Act claims.

## THE LANHAM ACT VIOLATIONS

The Lanham Act, 15 U.S.C. § 1124, prohibits, *inter alia*, the importation of goods to which any false designation of origin has been applied. Yamaha-America claims that ABC's importation of goods to which the Yamaha trademarks have been affixed

5. U.S. Customs, applying the regulation, has excepted from its exclusion orders for Yamaha brand goods, those made by Yamaha-Japan.

6. Yamaha also argues that it ought to be excepted from the customs regulations because it has developed a large degree of "goodwill" among American customers that is wholly independent of its relationship with Yamaha-Japan. They argue that this independent American identity ought to place it under the protection of laws that seek to protect American companies from infringing foreign-made products. Yamaha is mistaken. Yamaha is wholly owned subsidiary of Yamaha-Japan. Thus it is not only clearly falls under the "common control" provision of 19 C.F.R. §133.21 but is incapable of being meaningfully independent of Yamaha-Japan.

without the permission of Yamaha-America, the trademark holder, is a violation of the Lanham Act. Yamaha-America is mistaken. As discussed above, Yamaha-America has already made a judicial admission that the goods imported by ABC are genuine Yamaha items. Under current Ninth Circuit law, the importation of genuine goods is not actionable under the Lanham Act. *NEC Electronics v. Cal Circuit Abco*, 810 F.2d 1506 (9th Cir. 1987); *See Also Olympus Corporation v. United States*, 792 F.2d 315 (2nd Cir. 1986). In *NEC*, the Court held no cause of action arose under the Lanham Act when an American importer imported *genuine* trademarked items that had been sold overseas by the parent of the American trademark holder. The Court stated that even though the American subsidiary held a valid trademark, it was the decision of the parent company to sell in foreign markets for a price lower than the price charged by its American subsidiary. Thus, the importation complained of was the direct result of a decision made by those who control the America subsidiary. The Court reasoned that to allow the subsidiary to then claim a trademark violation would have the effect of allowing the foreign company to use American trademark laws to "insulate the American economy and vitiate the effects of International trade," and "establish a worldwide discriminatory pricing scheme simply through the expedient of setting up an American company with nominal title to its mark." 810 F.2d at 1511. The facts of *NEC* are indistinguishable from this case.

For the foregoing reasons, the Court granted defendant ABC's motion for summary judgment as to Counts III, IV, and V of the First Amended Complaint.

DATED: December 23, 1988.

/s/ RONALD S.W. LEW

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RONALD S.W. LEW  
United States District Judge

IN THE UNITED STATES COURT OF APPEALS  
 FOR THE NINTH CIRCUIT

YAMAHA CORPORATION OF AMERICA; )  
 YAMAHA ELECTRONICS CORPORATION, )  
 U.S.A., )

*Plaintiffs-Counter-Defendants-Appellees,* )

v. )

ABC INTERNATIONAL TRADERS, INC., )

*Defendant-Counterclaimant-Appellant,* )

and )

ISAAC LARIAN; FARHAD LARIAN, )

*Defendants.* )

No. 90-55036

D.C. # CV-86-7892-RSWL  
 (Central California)

ORDER

YAMAHA CORPORATION OF AMERICA; )  
 YAMAHA ELECTRONICS CORPORATION, )  
 U.S.A., )

*Plaintiffs-Counter-Defendants-Appellants,* )

v. )

ABC INTERNATIONAL TRADERS, INC., )

*Defendant-Counterclaimant-Appellee,* )

ISAAC LARIAN; FARHAD LARIAN, )

*Defendants-Appellees.* )

No. 90-55120

Before: SCHROEDER and REINHARDT, Circuit Judges, and  
 KING,\*\* District Judge.

\*\* The Honorable Samuel P. King, Senior United States District Judge for the District of Hawaii, sitting by designation.

The panel as constituted above has voted to deny the petition for rehearing and to reject the suggestion for rehearing en banc.

The full court has been advised of the suggestion for rehearing en banc and no judge of the court has requested a vote on the suggestion for rehearing en banc. Fed. R. App. P. 35.

The petition for rehearing is denied and the suggestion for rehearing en banc is rejected.

### STATUTES AND REGULATIONS INVOLVED

Section 526 of the Tariff Act, 19 U.S.C. §1526, states in relevant part:

(a) Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of sections 81 to 109 of Title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said Title 15, unless written consent of the owner of such trademark is produced at the time of making entry.

(c) Any person dealing in any such merchandise may be enjoined from dealing therein within the United States or may be required to export or destroy such merchandise or to remove or obliterate such trademark and shall be liable for the same damages and profits provided for wrongful use of a trademark, under the provisions of sections 81 to 109 of Title 15.

Section 32 of the Trademark Act, 15 U.S.C. §1114, provides in relevant part:

(1) Any person who shall, without the consent of the registrant-

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution,

or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

Section 42 of the Trademark Act, 15 U.S.C. §1124, provides:

Except as provided in subsection (d) of section 526 of the Tariff Act of 1930, no article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer, or trader, or of any manufacturer or trader located in any foreign country which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trademark registered in accordance with the provisions of this Act or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States: and, in order to aid the officers of the customs in enforcing this prohibition, any domestic manufacturer or trader, and any foreign manufacturer or trader, who is entitled under the provisions of a treaty, convention, declaration, or agreement between the United States and any foreign country to the advantages afforded by law to citizens of the United States in respect to trademarks and commercial names, may require his name and residence, and the name of the locality in which his goods are manufactured, and a copy of the certificate of registration of his trademark, issued in accordance with the provisions of this Act, to be recorded in books kept for this purpose in the Department of the Treasury, under such regulations as the Secretary of the Treasury shall prescribe, and may furnish to the Department facsimiles of his name, the

name of the locality in which his goods are manufactured, or of his registered trademark, and thereupon the Secretary of the Treasury shall cause one or more copies of the same to be transmitted to each collector or other proper officer of customs.

Customs Regulation 133.21(c)(2), 19 C.F.R. §133.21(c)(2) states:

Restrictions not applicable. The restrictions set forth in paragraphs (a) and (b) of this section do not apply to imported articles when:

. . . .

(2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control.

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No. 91-1066

Supreme Court, U.S.

FILED

JAN 23 1992

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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1991

**YAMAHA CORPORATION OF AMERICA, and  
YAMAHA ELECTRONICS CORPORATION, U.S.A.,**

*Petitioners,*

*vs.*

**ABC INTERNATIONAL TRADERS, INC.,  
FARHAD LARIAN, and ISAAC LARIAN,**

*Respondents.*

PETITION FOR WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

**BRIEF IN OPPOSITION TO  
PETITION FOR WRIT OF CERTIORARI**

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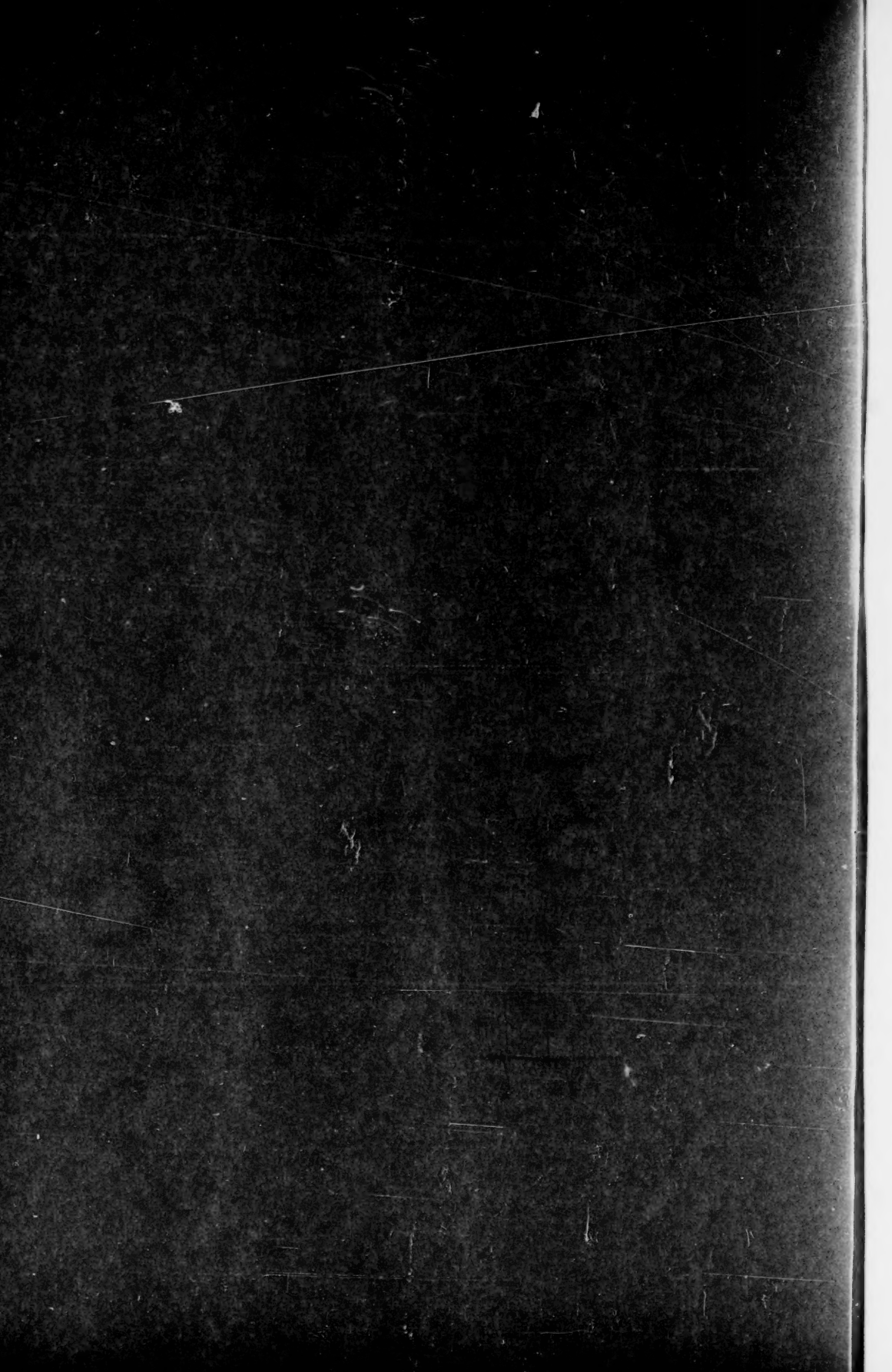
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## QUESTION PRESENTED FOR REVIEW

Whether a wholly owned subsidiary can, by the artifice of an assignment of its parent's trademarks, create independent trademark rights under the Tariff Act §526 or Trademark Act §32 or §42, which can be asserted against an independent importer of genuine goods made by the parent, notwithstanding U.S. Customs Regulation 133.21(c)(2), 19 C.F.R. §133.21(c)(2), which denies import restrictions for such goods; U.S. Custom's contrary interpretation of Tariff Act §526, 19 U.S.C. §1526 for over fifty years; and this Court's unanimous approval of that interpretation in *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988).

## **PARTIES TO THE PROCEEDING**

**ABC International Traders, Inc.**

**Farhad Larian**

**Isaac Larian**

ABC International Traders, Inc. has no parent or subsidiary company.

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## **I. STATEMENT OF THE CASE**

### **A. RELEVANT FACTS ESTABLISHED BY THE DISTRICT COURT**

The relevant facts established by the District Court are that Yamaha Corporation of America (YCA), is a California corporation wholly owned by Yamaha-Japan.<sup>1</sup> Yamaha-Japan manufactures various consumer electronic goods to which it affixes its "Yamaha" trademarks. The goods are made in Japan and imported into the United States through YCA, Yamaha-Japan's "exclusive" U.S. distributor. ABC International Traders, Farhad Larian and Isaac Larian (ABC), like YCA, obtain genuine "Yamaha" brand goods made by Yamaha-Japan and independently import those goods into the United States. YCA's objections to ABC's independent importation precipitated this action. Yamaha Electronics Corporation (YEC) is a wholly-owned subsidiary of YCA.

Until November 19, 1986, Yamaha-Japan was the registered owner of the "Yamaha" trademarks in issue.<sup>2</sup> On

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<sup>1</sup> Yamaha-Japan, which is not a party to this action, is incorporated in Japan.

<sup>2</sup> Under U.S. Trademark law, Yamaha-Japan has never had a legal right to assert a trademark infringement claim against ABC in its own name since the goods in question were made by Yamaha-Japan. Since YCA did not own the marks, it likewise could assert no trademark infringement claim. By assigning title to the "Yamaha" trademarks marks to its wholly owned subsidiary, Yamaha-Japan, was able to meet the

that date, the trademarks were assigned to YCA and several days later YCA filed this suit against ABC alleging trademark infringement based upon its own "independent goodwill" under the assigned marks.

ABC provides its own warranty and support services for various brands of goods including the "Yamaha" brand goods obtained from Yamaha-Japan. The "Yamaha" brand goods distributed by ABC are genuine and not materially different from the genuine "Yamaha" brand goods imported and distributed by YCA.

The facts which controlled and were determinative of this case are that YCA, the titleholder of the trademarks, is the wholly-owned subsidiary of Yamaha-Japan, the manufacturer, and that the goods imported by ABC and YCA are genuine "Yamaha" brand goods made by Yamaha-Japan, identical in all material respects.

#### **B. CORRECTIONS TO PETITIONERS' STATEMENT OF RELEVANT FACTS**

Petitioners' have made numerous representations of fact which are inconsistent with the findings of the District Court, not the subject of any finding whatsoever, or are simply irrelevant to the issues before this Court. Respondent will comment only on the most misleading statements.

The following representations of fact were not the subject of any findings of the District Court:

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technical requirements for its subsidiary to assert a trademark infringement claim against ABC.

a. "The 'Yamaha' products imported and sold by ABC . . . are believed to be diverted from Yamaha-Japan's foreign distribution stream without Yamaha's knowledge or consent" suggesting some misconduct on the part of ABC. However, there was not even a hint, much less any finding of fact, that ABC engaged in anything but a legitimate, lawful business which competed with YCA. Further, Petitioners failed to introduce any evidence that the imported goods were "diverted" or were intended for Yamaha-Japan's foreign distribution stream or that the importation was without Yamaha-Japan's knowledge or tacit consent. The District Court accordingly made no such findings.

b. "The gray market 'Yamaha' products sold by ABC . . . are not intended or designed for sale in the U.S., and are not warranted by Yamaha." The District Court's opinion is simply devoid of any such finding.

c. YCA enjoys "immense goodwill amongst its dealers and the purchasing public." YCA failed to produce any evidence to support this contention before the District Court and consequently, the court made no such findings.

The following representations of fact are inconsistent with the findings of the District Court:

a. "In many instances [the products imported by ABC] are physically different from authorized 'Yamaha' products." This representation contradicts both YCA's prior admissions in its pleadings and the express finding of the District Court that the goods were genuine (W9a, ¶13; W15a-16a)<sup>3</sup>. Further, the

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<sup>3</sup> W9a refers to Petitioners' Writ at page 9a.

Ninth Circuit rejected Yamaha's belated attempt to assert that the products imported by ABC were physically different from those imported by YCA and hence not genuine (W3a).

b. "ABC distributes the 'Yamaha' brand products to anyone who can pay for them, mainly unauthorized retail dealers who sell them to unwitting consumers." This representation contradicts the explicit finding of the District Court that the "Yamaha" goods imported by ABC were clearly marked with a statement that they were imported by ABC rather than YCA (W17a-18a); that the services and warranty provided by ABC in connection with the "Yamaha" goods were clearly represented as ABC's own services (W17a); and that there was no evidence of any consumer having been misled by ABC (W16a).

c. "Consumers purchasing gray market 'Yamaha' products often do not realize that the goods they purchased were not designed or intended for sale in the U.S." This representation of fact by Petitioners is inconsistent with the District Court's explicit findings that there was no evidence of any customer dissatisfaction or disappointment (W16a) and that individuals who purchased goods imported by ABC receive "exactly what he or she wants: A genuine product without the Yamaha warranty and other peripheral services . . . ." (W18a)

## **II.**

### **SUMMARY OF ARGUMENT IN OPPOSITION TO WRIT**

YCA and YEC petition for this Court's review of the Ninth Circuit's affirmance of the District Court's decision that respondents ABC did not infringe the "Yamaha" trademarks

and did not violate Tariff Act §526, 19 U.S.C. §1526, by the independent importation of genuine "Yamaha" brand goods legitimately obtained from the manufacturer Yamaha-Japan.

The "special and important reasons"<sup>4</sup> asserted by Petitioners to justify acceptance of the Writ by this Court are threefold. Petitioners first argue that the Ninth Circuit decision violates the Treaty of Friendship, Commerce and Navigation, Apr. 2, 1953, 4 U.S.T. 2063, T.I.A.S. No. 2863, the Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1628, T.I.A.S. No. 6293, and this Court's decision in *Sumitomo Shoji America, Inc. v. Avagliano*, 457 U.S. 176 (1982). However, the Friendship Treaty and the Paris Convention apply only to foreign companies doing business in the United States. Both YCA and YEC are domestic, not foreign, corporations. Consequently, neither YCA nor YEC have any standing to assert rights under those treaties.

Further, Yamaha-Japan, a foreign corporation to which those treaties apply, is not a party to this action. Accordingly, Yamaha-Japan's rights under those treaties cannot be adjudicated by this Court in any event.

Petitioners argue that the Ninth Circuit decision discriminates against YCA because it was based solely on the fact that YCA was owned by a foreign corporation, Yamaha-Japan. Petitioners' assertion is misplaced. The fundamental basis of the District Court and Ninth Circuit decisions was that YCA, as a wholly owned subsidiary, lacked independence from its parent for purposes of the Trademark Act, 15 U.S.C. §§1114, 1124 and 1127, and the Tariff Act, not that the parent

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<sup>4</sup> Sup. Ct. Rule 10

corporation was foreign. Consequently, those decisions would have been the same whether Yamaha-Japan had been a domestic or foreign corporation. As such, there is simply no issue of "discrimination" because Yamaha-Japan is a foreign corporation.

The second ground for review urged by petitioners is that there are conflicts between the decision of the District Court, affirmed by the Ninth Circuit, and decisions of the Second, D.C. and Federal Circuits. No such conflict exists. All of the relevant cases consistently hold that independent importation does not violate either the Trademark Act or the Tariff Act where, as here, the U.S. distributor is the wholly owned subsidiary of the manufacturer and the goods imported are genuine goods made by the parent-manufacturer. Accordingly, the decisions in this case do not conflict with the decisions of any other circuit.

Finally, petitioners invite this Court to decide issues not addressed in *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988), so as to "conclusively straighten out the gray market morass." However, whatever "morass" might exist in the gray market area does not arise from the facts of this case. This Court in *K-Mart* unanimously decided, and the circuit courts have uniformly held, that no trademark infringement occurs and no Tariff Act cause of action arises against independent importers of genuine goods where the U.S. trademark owner is the wholly-owned subsidiary of the manufacturer of those genuine goods. Consequently, to use this case as a springboard to address other issues as to which uncertainty might exist is nothing more than an invitation for this Court to render an impermissible advisory opinion.

ABC submits that the Writ should therefore be denied because there are no "special or important reasons" requiring this Court's review. Indeed, the facts of this case are indistinguishable from those in *NEC Elecs. v. Cal Circuit Abco*, 810 F.2d 1506 (9th Cir. 1987), as to which this Court already denied certiorari, 484 U.S. 851 (1987).

### III.

#### ARGUMENT

**A. THE FRIENDSHIP TREATY AND THE PARIS CONVENTION HAVE NO APPLICATION TO THIS CASE.**

**1. PETITIONERS, AS DOMESTIC CORPORATIONS, HAVE NO STANDING TO ASSERT RIGHTS UNDER THE FRIENDSHIP TREATY OR THE PARIS CONVENTION.**

YCA and YEC are both U.S. corporations. The Friendship Treaty applies to foreign not U.S. corporations. Hence, neither YCA nor YEC have any standing to assert rights under the Friendship Treaty<sup>5</sup>. As this Court stated in *Sumitomo*

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<sup>5</sup>Petitioners cannot, relying on the fact that YCA is the wholly owned subsidiary of Yamaha-Japan, claim rights given only to foreign corporations under the Friendship Treaty or the Paris Convention and then inconsistently assert YCA's independence from Yamaha-Japan for purposes of justifying a trademark infringement action created through the artifice of an



*Shoji America, Inc. v. Avagliano*, 457 U.S. 176, 188 (1981), the purpose of the Friendship Treaty is ". . . to assure that corporations of one Treaty party have the right to conduct business within the territory of the other party without suffering discrimination as an alien entity". This purpose, directed solely to foreign companies like Yamaha-Japan, is fully met by allowing foreign individuals and companies to form locally incorporated subsidiaries. The Paris Convention likewise applies only to nationals of a foreign corporation not to U.S. corporations like YCA or YEC. Consequently, once Yamaha-Japan was permitted to incorporate YCA and YEC under U.S. law, the purpose of the Friendship Treaty and the Paris Convention were fully met and neither treaty has any further application to YCA or YEC and neither can assert or claim any rights under those treaties.

Whatever remaining rights Yamaha-Japan might have under the Friendship Treaty or the Paris Convention are not before this Court since Yamaha-Japan is not a party.

**2. THE NINTH CIRCUIT'S DECISION  
DOES NOT DISCRIMINATE  
BECAUSE YCA'S PARENT IS A  
FOREIGN CORPORATION.**

The basis of YCA's "discrimination" accusation is that YCA was denied rights under the Trademark and Tariff Acts solely because YCA is wholly-owned by a foreign corporation, Yamaha-Japan. YCA's position is simply unfounded. The fundamental basis of the decision of both the District Court and the Ninth Circuit was that for purposes of

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assignment of its parent's trademarks.

asserting independent rights under a trademark, a parent and its wholly-owned subsidiary were legally incapable of being independent from each other, not that the parent was a foreign rather than a domestic corporation.

The flaw in YCA's argument is further exposed by a recognition that Yamaha-Japan has never had even a colorable right to assert a trademark infringement action against ABC's independent importation of genuine goods. Until Yamaha-Japan transferred its trademarks to YCA, YCA likewise had no right to assert a trademark infringement action against ABC. Obviously, YCA objected to the competition in genuine "Yamaha" brand goods provided by ABC but could do nothing to prevent that competition so long as Yamaha-Japan owned the trademarks. To circumvent the legal obstacles raised by U.S. trademark law, Yamaha-Japan assigned title to its trademarks to its wholly-owned subsidiary YCA. YCA, claiming goodwill in the "Yamaha" marks independent of Yamaha-Japan, then immediately sued ABC for trademark infringement.

YCA's claim to independence from Yamaha-Japan entitling it to assert trademark infringement actions against independent importers of genuine goods made by Yamaha-Japan must be rejected. The reality is that there is always and inevitably a unity of interest and purpose between a wholly owned subsidiary and its parent. *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 770-75 (1984). The fact that the parent may keep only a loose rein over the operations of the subsidiary is immaterial since the parent may assert full control at any moment if the subsidiary fails to act in the parent's best interest. Accordingly, it would be illogical to recognize a wholly owned subsidiary as a separate independent entity entitled to independent rights under the Trademark Act as

against genuine goods produced by the parent. *NEC Elecs. v. Cal Circuit Abco*, 810 F.2d 1506 (9th Cir. 1987), *cert. denied*, 484 U.S. 851 (1987). *See also*, the concurring opinion of Justice Brennan in *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 298-99 (1988).

Furthermore, YCA's argument of independent goodwill flies in the face of the long-established public policy that courts will not recognize the corporate form where that form is used as the instrumentality to circumvent the substantive requirement of a statute.<sup>6</sup> Here, but for the artifice of YCA's separate corporate form, no Trademark or Tariff Act cause of action would exist because the goods do not "copy" or "simulate." Public policy therefore precludes reliance on "independence" as a means of circumventing the statutory requirement of the Trademark Act that the goods "copy" or "simulate." *See*, 15 U.S.C. §§1114 and 1124.

Both the District Court and the Ninth Circuit, adhering to this established precedents, rejected Yamaha-Japan's attempt to create a trademark infringement action through the artifice of an assignment of its trademarks to its wholly-owned subsidiary. As those courts recognized, if a wholly-owned subsidiary was legally capable of acquiring goodwill independent of its parent merely by the assignment of title to the parent's trademark, the parent, using its surrogate subsidiary as

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<sup>6</sup> *Anderson v. Abbott*, 321 U.S. 349, 362-63 (1944). *See also*, *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 770-74 (1984), where this Court held that the artifice of the separate corporate form between a parent and a subsidiary could not be relied upon to satisfy the substantive conspiracy requirement of the Sherman Act.

a vehicle, could use U.S. trademark laws to close American markets to competitors in the distribution of the parent corporation's products. The parent would then be free to conspire with its subsidiary to fix prices, create artificial shortages for the purpose of obtaining excessive prices and engage in other acts which would otherwise be violative of antitrust laws while avoiding liability for conspiracy by relying on the lack of "independence" between itself and its subsidiary under *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 770-774 (1984). The court in *NEC Elects. v. Cal. Circuit Abco*, 810 F.2d 1506, 1511 (9th Cir. 1987), *cert. denied*, 484 U.S. 851 (1987), rejected the proposition that U.S. Trademark laws could be used for such a purpose, stating that:

If [the parent corporation] chooses to sell abroad at lower prices than those it could obtain for identical product here, that is its business. In doing so, however, it cannot look to United States trademark law to insulate the American market or vitiate the effects of international trade. This country's trademark law does not offer [the parent corporation] a vehicle for establishing a worldwide discriminatory pricing scheme simply through the expedient of setting up an American subsidiary with nominal title to its mark. 810 F.2d at 1511.

Finally, the Ninth Circuit did not, as YCA asserts, deny Yamaha-Japan the right to protect its trademark under either the Trademark or the Tariff Acts. Indeed, Yamaha-Japan or YCA may assert their trademark rights as to non-genuine or counterfeit goods which do not originate with Yamaha-Japan just as any other trademark owner.

Accordingly, the decisions of the District Court and the Ninth Circuit do not discriminate against YCA solely because its parent happens to be incorporated in Japan.

3. **SECTION 526 OF THE TARIFF ACT DOES NOT PROVIDE A CAUSE OF ACTION WHERE THE U.S. SUBSIDIARY IS WHOLLY-OWNED BY THE FOREIGN PARENT.**

The extraordinary protection provided by the Tariff Act has been consistently interpreted by U.S. Customs for more than fifty years not to be available to U.S. subsidiaries of foreign manufacturers against independent importers such as ABC. *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988). This interpretation is embodied in the Customs Regulations, 19 C.F.R. §133.21(c)(2), which states that

"(c) The restrictions set forth in paragraphs (a) and (b) of this section do not apply to imported articles when:

. . .

(2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control."<sup>7</sup>

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<sup>7</sup> U.S. Customs, applying this regulation to the Yamaha trademarks, has exempted from its exclusion order for Yamaha brand goods, genuine goods made by Yamaha-Japan

This Court unanimously affirmed the correctness of the interpretation of this provision in *K-Mart* by unanimously upholding this regulation. In upholding the regulation, this Court also affirmed and adopted Customs' interpretation of the Tariff Act itself. As stated in this Court's majority opinion:

"If the agency regulation is not in conflict with the plain language of the statute, a reviewing court must give deference to the agency's interpretation of the statute." (Citations omitted.)  
486 U.S. at 817.

Both the District Court and the Ninth Circuit, adhering to this fundamental principal of statutory interpretation, followed the *K-Mart* decision and in so doing properly declined to interpret §526 any differently than did U.S. Customs concluding that the Regulations represented a reasoned and reasonable interpretation of the Tariff Act.<sup>8</sup>

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which are independently imported.

<sup>8</sup> This Court found §526(a) of the Tariff Act, 19 U.S.C. §1526(a), to be ambiguous when applied to a trademark owner who is a wholly-owned United States subsidiary of a foreign parent corporation. *K-Mart* at 1818. Additionally, this Court held §133.21(c)(1) of the Customs Services Regulations, 19 C.F.R. §133.21(c)(1), to be a ". . . permissible construction designed to resolve statutory ambiguities." Therefore, "a Court *must* give deferences to the agency's interpretation . . ." *Id.* [Emphasis added.]

Yamaha's argument that the Ninth Circuit decision denied it a private cause of action under the Tariff Act misses the point. The Ninth Circuit did not hold that no private cause of action could be asserted under the Tariff Act. It held only that YCA could not prosecute such a private cause of action independent of its parent, Yamaha-Japan, because the goods in question are genuine goods originating with Yamaha-Japan. The Ninth Circuit's holding in this regard is identical to this Court's resolution of the same issue in *K-Mart*. In *K-Mart*, this Court held that no Tariff Act action exists with respect to genuine goods where the foreign manufacturer wholly owns the U.S. distributor who is attempting to assert independent trademark rights.<sup>9</sup>

Petitioners argue that issues remain to be decided notwithstanding the *K-Mart* decision. While *K-Mart* may not have reached certain issues regarding a foreign corporation's treaty rights, those issues are not properly before this Court since Yamaha-Japan is not a party and those treaties have no application to domestic corporations such as YCA and YEC. Consequently, to use this case as a vehicle to decide the interplay between the Friendship Treaty, the Paris Convention and the Tariff Act invites this Court to impermissibly render an advisory opinion. This Court should decline to do so.

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<sup>9</sup> The Court's holding was expressed as a validation of U.S. Custom's interpretation of the Tariff Act pursuant to 19 C.F.R. §133.21(c)(2).



**B. THERE IS NO CONFLICT AMONG THE  
CIRCUITS OR WITH OTHER DECISIONS  
OF THIS COURT.**

YCA claims that the Ninth Circuit's decisions in this case and in *NEC Elecs. v. Cal Circuit Abco*, 810 F.2d 1506 (9th Cir. 1987) are inconsistent with this Court's decisions in *Morrill v. Jones*, 106 U.S. 466 (1883) and *A. Bourjois & Co. v. Katzel*, 260 U.S. 689 (1923) and with the D.C. Circuit's decision in *Lever Bros. Co. v. United States*, 877 F.2d 101 (D.C. Cir. 1989); the Second Circuit's decisions in *Original Appalachian Artworks, Inc. v. Granada Elecs., Inc.*, 816 F.2d 68 (2d Cir. 1987), *cert. denied*, 484 U.S. 847 (1987) and *Olympus Corp. v. United States*, 792 F.2d 315 (2d Cir. 1986); and the Federal Circuit's decision in *Vivitar Corp. v. United States*, 761 F.2d 1552 (Fed. Cir. 1985), *cert. denied*, 474 U.S. 1055 (1986). Petitioners are wrong.

Petitioners first suggest that the Ninth Circuit's decision in this case is in conflict with *Morrill*. However, *Morrill* addressed only the scope of rule making authority of a governmental agency. The rule making authority of a governmental agency is not in issue in this case and hence *Morrill* is simply irrelevant and does not conflict with the Ninth Circuit's decision.

YCA's assertion of a conflict between the Ninth Circuit's decision in issue here and the *A. Bourjois* and *Vivitar* cases is misleading since whatever conflict might have been presented by those cases was already fully resolved by this Court in *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988).

Further, *A. Bourjois* has been consistently limited to the case where the foreign manufacturer and the U.S.



trademark owner were unrelated, independent corporations.<sup>10</sup> Here, YCA, the U.S. trademark owner, is the wholly owned subsidiary of Yamaha-Japan, the manufacture of the genuine goods imported by both ABC and YCA. Accordingly, *A. Bourjois* is simply inapplicable.

Petitioners' conflict argument regarding *Vivitar* arises entirely from the dicta in the *Vivitar* opinion that the Tariff Act precludes importation of even genuine goods regardless of the fact that the manufacturer and the distributor are parent and subsidiary. However, this position was rejected by this Court in *K-Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988) which concluded that deference would be given U.S. Customs' interpretation that §526 of the Tariff Act does not prohibit independent importation of genuine goods when the manufacturer and the U.S. distributor are under common ownership or control.

*Lever* and *Original Appalachian* are in complete agreement with the Ninth Circuit's decisions in this case and in *NEC*. Indeed, in all four cases, the courts explicitly concluded that there is no trademark infringement under either the Trademark Act or the Tariff Act where, as here, the U.S. distributor is the wholly owned subsidiary of a foreign manufacturer and the goods imported by both the subsidiary and the independent importer are genuine goods made by the same foreign manufacturer.

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<sup>10</sup> See, e.g., *Weil Ceramics and Glass, Inc. v. Dash*, 878 F.2d 659 (3d Cir. 1989) *cert denied*, 493 U.S. 853 (1989); *NEC Elecs. v. Cal Circuit Abco*, 810 F.2d 1506 (9th Cir. 1987), *cert. denied*, 484 U.S. 851 (1987); *Olympus Corp. v. United States*, 792 F.2d 315 (2d Cir. 1986).

The results in *Lever* and *Original Appalachian* were different only because the facts were different not because the legal principles applied and followed were in conflict. In both *Lever* and *Original Appalachian*, the independently imported goods were materially different, the packaging was different and the independently imported product and U.S. product were made by *different* manufacturers. The courts in those cases had little difficulty in concluding that the independently imported goods were not genuine but rather "copied and simulated" the genuine goods<sup>11</sup> and therefore were being distributed in the United States in violation of the Trademark and Tariff Act notwithstanding that both the domestic manufacturer and the foreign manufacturer were under common ownership or control.

Here, the District Court found the goods imported by ABC were genuine goods not materially different from the goods imported by YCA and that the goods imported by both YCA and ABC were made by the *same* foreign manufacturer.

The last argument petitioners urge in connection with its petition is that the Ninth Circuit decision in this case purportedly precludes a trademark owner from ever pursuing private remedies under the Tariff Act. Relying on this incorrect characterization, petitioners attempt to create a conflict with *Olympus* and *Vivitar* which each held that the Tariff Act provided a private cause of action. Petitioners misapprehend the scope of the Ninth Circuit's decision. The Ninth Circuit was not presented with nor did it address the broad issue of whether

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<sup>11</sup> Goods that "copy or simulate" are not "genuine." Stated differently, "genuine" goods do not "copy or simulate" and hence cannot violate §32 or §42 of the Trademark Act.

private actions can be brought under the Tariff Act. The Ninth Circuit's decision was only that federal trademark law, through its expressed provisions, provides no protection for a wholly owned subsidiary of a foreign manufacturer against a rival company that imports goods made by the foreign parent company. Under such circumstances, the independently imported goods are genuine, do not constitute a false designation of origin and do not copy or simulate. Accordingly, the Ninth Circuit decision is in full agreement with the court in *Olympus* which found that "[t]he plain language of the statute does not bar importation if the goods are genuine, only if they 'copy or simulate' a trademark." *Olympus*, 792 F.2d at 321.

Accordingly, there simply is no conflict between the Circuit's or this Court's prior decisions which require resolution by this Court. The petition for Writ of Certiorari on the ground of conflict between the Circuits should therefore be denied.

#### IV. CONCLUSION

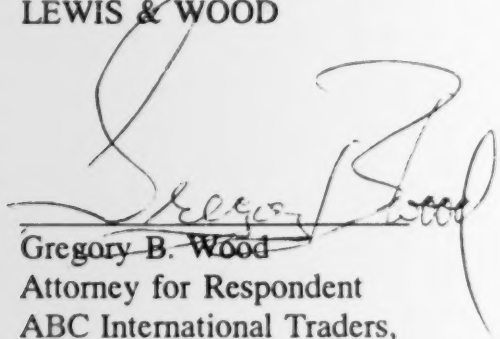
For the foregoing reasons, ABC submits that there are neither special nor important reasons for a review of the decision of the Ninth Circuit. The Ninth Circuit decision is virtually identical to *NEC*, as to which this Court already denied certiorari. Further, since Yamaha-Japan is not a party and YEC and YCA are both domestic corporations, this is not a proper case for evaluating the interplay of the Friendship Treaty, the Paris Act and the Tariff Act. Accordingly, the Writ of

Certiorari should be denied and the decision of the Ninth Circuit allowed to stand as a final decision in this action.

Respectively Submitted,

DATED: January 22, 1992

REHWALD RAMESON  
LEWIS & WOOD

A large, stylized handwritten signature in black ink, appearing to read 'Gregory B. Wood', is written over a horizontal line.

Gregory B. Wood  
Attorney for Respondent  
ABC International Traders,  
Inc.

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No. 91-1066

Supreme Court, U.S.

FILED

FEB 20 1992

OFFICE OF THE CLERK

**In The Supreme Court of the United States  
October Term, 1991**

**YAMAHA CORPORATION OF AMERICA, AND  
YAMAHA ELECTRONICS CORPORATION, U.S.A.,**  
*Petitioners*

**V.**

**ABC INTERNATIONAL TRADERS, INC.  
FARHAD LARIAN, AND ISAAC LARIAN,**  
*Respondents*

**Petition For Writ Of Certiorari To The  
United States Court Of Appeals For The Ninth Circuit**

**PETITIONERS' REPLY TO RESPONDENTS'  
BRIEF IN OPPOSITION TO  
PETITION FOR WRIT OF CERTIORARI**

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## INTRODUCTION

To open their Opposing Brief, Respondents ABC INTERNATIONAL TRADERS, INC., FARHAD LARIAN, and ISAAC LARIAN (collectively "ABC") claim that Petitioners YAMAHA CORPORATION OF AMERICA (YCA) and YAMAHA ELECTRONICS CORPORATION, USA (YEC) (collectively "Yamaha") made statements of fact in their Petition which were not the subject of District Court findings or are inconsistent with such findings. Notwithstanding ABC's assertion, the statements made by Yamaha in its Petition are all supported by the record or admitted by ABC below. More importantly, the statements challenged by ABC are not determinative of the issues before this Court.

### **I. YCA HAS STANDING TO CLAIM THAT THE NINTH CIRCUIT'S DECISION CONFLICTS WITH THE FRIENDSHIP TREATY AND PARIS CONVENTION**

ABC's statement in footnote 5 of its Brief demonstrates that ABC misunderstands Yamaha's argument under the Treaty of Friendship, Commerce and Navigation, 4 U.S.T. 2063, T.I.A.S. 2863 (1953) (Friendship Treaty) and the Paris Convention for the Protection of Industrial Property, 21 U.S.T. 1628, T.I.A.S. 6293 (1967) (Paris Convention). Contrary to ABC's characterization, YCA is not attempting to rely on its status as a wholly-owned subsidiary of Yamaha Japan to claim rights given to foreign corporations under these Treaties, and then assert that it is independent from Yamaha Japan to permit it to maintain a trademark infringement action. Rather, YCA relies on the Friendship Treaty and *Sumitomo Shoji America, Inc. v. Avagliano*, 457 U.S. 176 (1981), as the authorities which define it as a U.S. company entitled to all the rights of any other U.S. company. If, however, YCA's separate corporate status continues to be ignored, and it is held to be the same as its foreign parent, then it should be entitled to avail itself of the Friendship Treaty and Paris Convention as a foreign corporation. Therefore, Yamaha's position is not inconsistent as ABC claims. Furthermore, as shown below, YCA as a domestic corporation has standing to assert its Treaty arguments.

### A. Friendship Treaty

ABC's contention is incorrect that YCA, as a domestic company, has no standing to assert that the Ninth Circuit's decision conflicts with the Friendship Treaty. ABC argues that the Friendship Treaty's purpose of preventing discrimination is fully met when Yamaha Japan was permitted to incorporate YCA as a local subsidiary. This argument is plainly wrong because it only goes halfway. To prevent discrimination, local subsidiaries like YCA must also be accorded all the rights of any other domestic company, i.e., national treatment. The mere ability to incorporate here without national treatment, would not prevent discrimination. This Court in *Sumitomo*, 457 U.S. at 188, found that the Friendship Treaty assured national treatment as the best way to prevent discrimination. The Friendship Treaty accomplishes this by requiring that local subsidiaries be treated as independent domestic companies with all the rights and obligations of any other domestic company. Here, YCA was denied its statutory rights under §526 of the Tariff Act and §§32 and 42 of the Trademark Act because YCA is owned by a Japanese company. That is not national treatment, but pure and simple discrimination in direct conflict with the Friendship Treaty as construed by this Court. YCA has standing to assert that it is being denied national treatment which the Friendship Treaty and *Sumitomo* require.

ABC's argument also completely ignores Article XXII(3) of the Friendship Treaty which states in relevant part:

Companies constituted under the applicable laws and regulations *within the territories of either party* shall be deemed companies thereof and shall have their juridical status recognized within the territories of the other Party.

(emphasis ours)

Article XXII(3) of the Friendship Treaty and *Sumitomo* define YCA as a domestic company, and mandate that its domestic corporate status be recognized. However, the Ninth Circuit, in reliance on the conflicting Regulation, deemed YCA to be a

Japanese company because of its wholly-owned subsidiary status, and denied it the statutory rights granted by the express language of §§32 and 42 of the Trademark Act and §526 of the Tariff Act. YCA indeed has standing to challenge the Ninth Circuit's refusal to follow this Court's decision in *Sumitomo* and accord it the rights granted by the Friendship Treaty.

ABC's arguments on pages 8 through 11 of its Brief that YCA cannot be meaningfully independent from Yamaha Japan because of its subsidiary relationship to Yamaha Japan underscores YCA's point that its legal rights as a domestic company are being denied. ABC claims that YCA can never be independent of Yamaha Japan and that it "would be illogical to recognize a wholly-owned subsidiary as a separate independent entity entitled to independent rights under the Trademark Act as against genuine goods produced by the parent." ABC is thereby asserting that YCA is effectively a Japanese company.<sup>1</sup> There is no evidence to support ABC's contentions; neither Court made any inquiry on the issue of independence. That YCA's legal rights as a domestic company are being denied is the main thrust behind Yamaha's Treaty arguments. Article XXII(3) of the Friendship Treaty provides that YCA's juridical status as a domestic company shall be recognized. ABC's position that it should not be treated as a domestic company is contrary to the express language of the Friendship Treaty as construed by this Court in *Sumitomo*.

## B. Paris Convention

Contrary to ABC's argument, YCA is not attempting to avail itself of the Paris Convention as a domestic company. The Ninth Circuit's decision leaves no doubt that YCA is being treated as a Japanese company in order to deny it the legal rights granted under the Trademark and Tariff Acts. If so, then it is entitled

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1. ABC's position is inconsistent. First, ABC claims that YCA is a domestic company, and therefore, has no standing to invoke the Friendship Treaty or Paris Convention. Then, ABC is claiming that YCA cannot be independent of Yamaha Japan, its Japanese parent. YCA is either an American company or a Japanese company. It cannot be neither nor both.

to avail itself of the Paris Convention which requires national treatment of nationals of member countries. Under the Paris Convention, even Yamaha Japan, if it were the owner of the marks, could assert the rights granted under the Trademark Act and the Tariff Act as the Paris Convention gives it the same rights with respect to trademarks as domestic companies.<sup>2</sup> Therefore, if YCA is treated as a Japanese company as the Ninth Circuit has done, it must be accorded the rights of a domestic company by virtue of the Paris Convention. Unquestionably, Yamaha has standing to raise this argument.

## II. THE NINTH CIRCUIT'S DECISION DISCRIMINATES AGAINST YCA ON THE BASIS OF ITS FOREIGN OWNERSHIP

The Ninth Circuit found that Yamaha had no rights under the Trademark Act, following its prior decision in *NEC Electronics v. Cal. Circuit ABCO*, 810 F.2d 1506 (9th Cir.), *cert. denied*, 484 U.S. 851 (1987), because *NEC* held that "federal trademark law affords no protection for a wholly-owned United States subsidiary of a foreign manufacturer against a rival company that imports and sells goods made by the foreign parent company." By so holding, the Ninth Circuit plainly found that Yamaha could not assert trademark rights because it is owned by Yamaha Japan, a foreign manufacturer. The Ninth Circuit's decision creates an exception to §32 of the Trademark Act that wholly-owned subsidiaries of foreign manufacturers like YCA do not enjoy the same legal rights under the statutes as other domestic companies solely because of foreign ownership. This is unjustified discrimination against a thirty year old domestic company like YCA.<sup>3</sup>

ABC argues that the Ninth Circuit found that YCA and Yamaha Japan were incapable of being independent from one another,

2. This is also true under the Friendship Treaty.

3. As stated in Yamaha's Petition, the discriminatory nature of the Ninth Circuit's decision is made clear by contrasting it to the Ninth Circuit's opposite result in an earlier decision in *Model Rectifier Corp. v. Takachiho International, Inc.*, 709 F.2d 1517 (9th Cir. 1983), *aff'g*, 220 U.S.P.Q. 508 (C.D. Cal. 1983).

and therefore, YCA could not assert its trademark rights. ABC's entire argument on pages 8 through 11 of its Brief on whether YCA is or could be independent from Yamaha Japan is unsupported by any evidence and simply begs the question of whether independence from Yamaha Japan is a prerequisite for YCA to enjoy the same rights under the Trademark Act and the Tariff Act as other domestic companies such as Model Rectifier. ABC assumes that such independence is necessary, whereas YCA argues that it is not. The Ninth Circuit's refusal to grant YCA its legal rights under the Trademark and Tariff Acts solely because of YCA's relationship to Yamaha Japan is contrary to the law and the obligations under the Friendship Treaty and the Paris Convention. Also, the assumption that YCA is not independent totally ignores its separate existence as a U.S. corporation with an active place of business in California for more than 30 years. ABC, therefore, does not confront Yamaha's argument, but merely assumes its inapplicability.

ABC's attempts, throughout its Brief, to paint Yamaha Japan as the owner of the marks because the trademark assignment from Yamaha Japan to YCA was somehow tainted, are dishonest. The District Court specifically found that the assignment was actual not purported as ABC argued. ABC did not appeal this finding and is therefore barred by *res judicata* from asserting otherwise.<sup>4</sup>

ABC's unsupported assertion that Yamaha Japan could never have brought a trademark infringement action against ABC is also not true and is not relevant to whether YCA is being discriminatorily denied its trademark rights because of foreign ownership. There was nothing preventing Yamaha Japan, when it owned the marks, from maintaining an action against ABC for

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4. Furthermore, the ownership of trademarks is a matter of contract between the manufacturer and distributor. See, *A. Bourjois & Co. v. Katzel*, 260 U.S. 689 (1923); *International Armament Corp. v. Matra Manhurin International, Inc.*, 630 F. Supp. 741, 746 (E.D. Va. 1990); *Model Rectifier*, 220 U.S.P.Q. at 510; and *B&W Loudspeakers, Inc. v. 6th Avenue Electronics*, 729 F. Supp. 945 (S.D.N.Y. 1990).



trademark infringement since ABC did not purchase the goods from it. In fact, under §44 of the Trademark Act, the Friendship Treaty and Paris Convention, Yamaha Japan had the right to bring an action to enforce its U.S. trademark rights.

Moreover, ABC's statement that YCA could not maintain an action against ABC prior to the assignment is also legally incorrect. It has long been recognized that an exclusive distributor such as YCA, can maintain an action for trademark infringement.<sup>5</sup> Therefore, YCA, as the exclusive U.S. distributor for 30 years, could have sued ABC for trademark infringement prior to the assignment of the "Yamaha" marks.

ABC's intimation that Yamaha Japan's assignment to YCA to take advantage of §526 was improper is incorrect. ABC claims that YCA is attempting to circumvent the substantive requirement of a statute, and therefore, its separateness should not be recognized. YCA is not attempting to circumvent the requirements of §526 of the Tariff Act or §42 of the Lanham Act, but is instead attempting to avail itself of the protection of such Acts. There is nothing illegal or improper about the assignment of the "Yamaha" marks to YCA. Property, such as trademarks, is transferred for many lawful business purposes, such as to take advantage of tax laws.<sup>6</sup>

ABC's hypothetical claim on pages 10 and 11 of its Brief that if YCA were permitted to exclude gray market products, that would pave the way for Yamaha Japan to conspire with YCA to commit antitrust violations is without any factual or legal support. In a similar case, this same argument was rejected by the court

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5. See, *Quabaug Rubber Co. v. Fabiano Shoe Co., Inc.*, 567 F.2d 154, 159-60 (1st Cir. 1977); *Watson v. E. Leitz, Inc.*, 254 F.2d 777, 780 (D.C. Cir. 1958); *Avedis Zildjian Co. v. Fred Gretsch Mfg. Co.*, 251 F.2d 530, 532 (2d Cir. 1958); *Georg Jensen & Wendel, A/S v. Georg Jensen Handmade Silver, Inc.*, 111 F.2d 169, 172 (C.C.P.A. 1940); and *Osawa & Co. v. B & H Photo*, 589 F. Supp. 1163, 1179 (S.D.N.Y. 1984).

6. See, *B&W Loudspeakers, Inc. v. 6th Avenue Electronics*, 729 F. Supp. 945 (S.D.N.Y. 1990) (cases cited) and *International Armament Corp.*, 630 F. Supp. at 746 (assignment of trademarks to take advantage of §526 entirely proper).



after a thoughtful and painstaking analysis. See, *Osawa*, 589 F.Supp. at 1176-78. Furthermore, this speculative possibility is entirely irrelevant to whether YCA is being discriminated against because of its foreign ownership. Courts have noted that the trademark laws and a Customs Regulation are not the proper vehicles for addressing antitrust concerns since they fail to make the relevant legal inquiries, and have questioned it as unsound.<sup>7</sup> The Ninth Circuit's reliance on the Regulation incorrectly assumes that a violation of the antitrust laws has occurred without the benefit of any evidence other than the parent-subsidiary relationship and the Regulation.

### **III. THE NINTH CIRCUIT'S DECISION THAT THE REGULATION PRECLUDES A PRIVATE CAUSE OF ACTION TO YCA CONFLICTS WITH DECISIONS OF THIS COURT AND OF OTHER CIRCUITS**

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#### **A. *Kmart* Did Not Decide That the Regulation Applied to Private Causes of Action**

ABC asserts that this Court's decision in *Kmart* held that the Regulation applies to private causes of action under §526 of the Tariff Act involving gray marketing.<sup>8</sup> ABC's further statement that this Court in *Kmart* affirmed and adopted Customs' interpretation of the Tariff Act for private causes of action is overreaching.

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7. *Olympus Corp. v. United States*, 792 F.2d 315, 319-20 (2d Cir. 1986); *Coalition to Preserve the Integrity of American Trademarks v. United States*, 790 F.2d 903, 915-6 (D.C. Cir. 1986), *rev'd on other grounds*, 108 S. Ct. 1811 (1988); *Osawa*, 589 F. Supp. at 1178.

8. ABC's statement on page 13 of its Brief that this Court unanimously upheld the Regulation is incorrect. Justices Scalia, Rehnquist, O'Connor and Blackmun dissented from Justice Kennedy's Opinion. Justice Scalia's dissent stated that:

In my view, subsections (c)(1) and (c)(2) of the regulation are also in conflict with the clear language of 526(a). I, therefore, decline to join parts IIB and III of Justice Kennedy's opinion and dissent from that part of the judgment upholding subsections (c)(1) and (c)(2).

*Kmart* did not hold that Customs' interpretation is applicable to private actions under §526(c). *Kmart* only concerned itself with the reasonableness of Customs' enforcement under the Regulation giving no direction on the scope of the statute, its conflict with the Trademark Act and Treaty obligations, or the Regulation's applicability to private causes of action.

ABC's statement in footnote 8 that a court should give deference to Customs' interpretation of the statute is not applicable to private actions under §526. Deference may be given to Customs' interpretation when it is applying the Regulation in the course of its duties whether to exclude gray market products. This deference ends when it conflicts with Statutes and Treaties as is the case here.

ABC's argument on page 14 of its Brief that the Ninth Circuit did not deny YCA a private cause of action under §526 is incorrect. Citing *Kmart* as authority that no private Tariff Act cause of action exists for wholly-owned subsidiaries of foreign corporations, ABC contends that the court merely held that YCA could not prosecute a private action independent of its parent. ABC argues that the court's holding, though not explicit on this point, "was expressed as a validation of Customs' interpretation" of the Regulation. *Kmart* plainly did not address the scope of §526 to private actions under the statute. Nor did it address whether Customs' interpretation was applicable to private causes of action. *Kmart* only held that for Customs' enforcement purposes, the Regulation was a reasonable interpretation of the statute.

#### **B. The Ninth Circuit's Decision Conflicts With This Court's *Morrill* Decision and Decisions of The Second, D.C., and Federal Circuits**

ABC misunderstands Yamaha's contentions regarding the Ninth Circuit's conflict with *Morrill v. Jones*, 106 U.S. 466 (1883). The Ninth Circuit held that the Regulation precluded YCA from an action under §§32 and 42 of the Trademark Act and §526 of the Tariff Act. *Morrill* held that a Regulation cannot take away legal rights granted under a statute. The Ninth Circuit's decision

relies only on the Regulation to deny YCA its statutory rights under the Trademark and Tariff Acts solely because it is a wholly-owned subsidiary of Yamaha Japan. There is nothing in either §§32 or 42 of the Trademark Act or §526 of the Tariff Act which denies a wholly-owned subsidiary of a foreign corporation these rights. Therefore, the Ninth Circuit's decision conflicts with *Morrill* because it uses the Regulation to strip away or deny the rights granted under the statutes.

ABC claims, without explanation, that *Kmart* resolved any possible conflict between the Ninth Circuit's decision here and both *A. Bourjois & Co., Inc. v. Katzel*, 260 U.S. 689 (1923) and *Vivitar Corp. v. United States*, 761 F.2d 1552 (Fed. Cir.), cert. denied, 474 U.S. 1055 (1985). ABC does not deny a conflict with these two cases. Yamaha asserted that the Ninth Circuit's decision conflicted with *Bourjois* because the Ninth Circuit failed to recognize the territoriality of trademark protection. *Kmart* did not address the threshold question of territoriality.

Yamaha cited *Vivitar* for the proposition that a private cause of action exists under §526 regardless of the Regulation. As shown above, *Kmart* did not decide whether the Regulation applies to private causes of action, or whether the Regulation defines the scope of protection to a trademark owner under §526. *Kmart* also did not reject the holding in *Vivitar* that a private cause of action exists under §526 even though *Vivitar* was a reason for granting *certiorari* in *Kmart*. As explained above, *Kmart* simply never addressed this compelling issue. *Kmart* only concerned itself with the reasonableness of Customs' enforcement. Therefore, *Kmart* did not resolve the conflict between the Ninth Circuit's decision here, *Bourjois* and *Vivitar*.

ABC's claim that *Bourjois* has been limited to instances where the foreign manufacturer and U.S. trademark owner were independent companies is unfounded. Nothing in the *Bourjois* case suggests the nature of the relationship between the parties therein. Furthermore, counsel for Yamaha has studied the papers submitted in *Bourjois* and from them the ownership of *Bourjois*

cannot be determined. *Bourjois*, therefore, affirms the territoriality of trademarks as set forth in the Paris Convention, and is directly applicable to this case.

ABC's statement on page 16 of its Brief that *Lever Bros. Co. v. United States*, 877 F.2d 101 (D.C. Cir. 1989) and *Original Appalachian Artworks, Inc. v. Granada Electronics, Inc.*, 816 F.2d 68 (2d Cir.), *cert. denied*, 484 U.S. 487 (1987), are in harmony with the Ninth Circuit's decision here and in *NEC* is incorrect. *Original Appalachian* explicitly found that gray marketing constituted trademark infringement, and held that the Regulation did not preclude a private cause of action under §32 of the Trademark Act for trademark infringement. The Third Circuit in *Weil Ceramics and Glass, Inc. v. Dash*, 878 F.2d 659 (3d Cir. 1989), and the Ninth Circuit here found otherwise. *Lever* did not find, as did Ninth Circuit, that the relationship between the parties controlled entitlement to relief under §42.

ABC's statement on pages 17 and 18 of its Brief that the Ninth Circuit's decision here is in harmony with *Olympus* is incorrect. *Olympus* explicitly stated that a private cause of action under §526 existed regardless of the Regulation. The Ninth Circuit's own decision in *NEC*, at footnote 4, raised this as a possibility. Here, the Ninth Circuit relied on the Regulation to override the plain language of §526 and deny Yamaha a private cause of action. Therefore, conflicts exist between the Ninth Circuit's decision below and decisions of this Court and other Circuits.

## CONCLUSION

For the foregoing reasons, Yamaha respectfully requests that this Court grant *certiorari* and review the Ninth Circuit's decision.

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